

BINGHAM

NEW APPLICATION



0000123747

ORIGINAL

Jean L. Kiddoo  
Brett P. Ferenchak  
Kimberly A. Lacey  
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February 23, 2011

VIA OVERNIGHT MAIL

Docket Control Center  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007-2927

T-20786A-11-0088

**Re: Windstream NuVox, Inc.'s Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services in Arizona**

Dear Sir or Madam:

On behalf of Windstream NuVox, Inc. ("WIN-NuVox"), enclosed please find an original and thirteen (13) copies of the above-referenced Application. Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage paid envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact Brett Ferenchak at 202-373-6697.

Respectfully submitted,

Jean L. Kiddoo  
Brett P. Ferenchak  
Kimberly A. Lacey

Counsel for Windstream NuVox, Inc.

Boston  
Hartford  
Hong Kong  
London  
Los Angeles  
New York  
Orange County  
San Francisco  
Santa Monica  
Silicon Valley  
Tokyo  
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AZ CORP COMMISSION  
DOCKET CONTROL

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Arizona Corporation Commission  
DOCKETED

FEB 24 2011

DOCKETED BY	
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ORIGINAL

**APPLICATION  
CERTIFICATE OF CONVENIENCE & NECESSITY**

If the Applicant wants to provide any type of Non-Customer Owned Pay Telephone ("COPT") telecommunications services in Arizona, provide the Arizona Corporation Commission ("Commission") with information being requested.

Remember that information submitted for a Certificate of Convenience and Necessity ("CC&N") will be made part of the public record (including financial statements). Any information designated as confidential will not be accepted by Docket Control. Mail your original CC&N application plus thirteen (13) copies to Arizona Corporation Commission, Docket Control, 1200 W. Washington Street, Phoenix, AZ 85007-2927.

Make sure you use the Application form dated May 24, 2010. Also, make sure you answer each numbered item and part of the item in each section of the Application form. If you do not use the correct Application form and/or do not completely answer the numbered item(s), Staff will request the Applicant to re-submit the Application form and/or complete any of the numbered item(s) and part of the item in a data request. In order for Staff to review your Application, complete the following form. Thank you.

**ARIZONA CORPORATION COMMISSION**

**Application and Petition for Certificate of Convenience and Necessity to Provide  
Intrastate Telecommunications Services**

Mail original plus 13 copies of completed application to:

For Docket Control Only:  
(Please Stamp Here)

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

Please indicate if you have current applications pending  
in Arizona as an Interexchange reseller, AOS provider,  
or as the provider of other telecommunication services.

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_ Date Docketed: \_\_\_\_\_

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_ Date Docketed: \_\_\_\_\_

**A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION**

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and mark the appropriate box(s).

- ☐ Resold Long Distance Telecommunications Services (Answer Sections A, B).
- ☒ Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- ☐ Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- ☐ Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)
- ☐ Alternative Operator Services Telecommunications Services (Answer Sections A, B)
- ☐ Other \_\_\_\_\_ (Please attach complete description)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

**Windstream NuVox, Inc. ("WIN-NuVox")**  
**4001 Rodney Parham Road**  
**Little Rock, AR 72212**  
**Tel: (501) 748-7000**  
**Fax: (501) 748-5589**  
**www.windstream.com**

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

**Not Applicable, but for clarity the applicant notes that its corporate operations do frequently use the generic trade name of "Windstream."**

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

**James T. Meister  
Vice President - Government Affairs  
Windstream  
4001 Rodney Parham Road  
Little Rock, AR 72212  
Tel: (501) 748-5619  
Fax: (501) 748-5589  
Email: james.t.meister@windstream.com**

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

**Jean L. Kiddoo  
Brett P. Ferenchak  
Kimberly A. Lacey  
Bingham McCutchen LLP  
2020 K Street, N.W.  
Washington, D.C. 20006  
Tel: (202) 373-6000  
Fax: (202) 373-6001  
jean.kiddoo@bingham.com  
brett.ferenchak@bingham.com  
kimberly.lacey@bingham.com**

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Complaint Contact Person:

**Mollie Chewning  
Supervisor - Customer Support  
1720 Galleria Blvd.  
Charlotte, NC 28270  
Tel: (800) 326-6314  
Fax: (704) 845-5173  
Email: mollie@chewning@windstream.com**

(A-7) What type of legal entity is the Applicant? Mark the appropriate box(s) and category.

- ☐ Sole proprietorship
- ☐ Partnership: \_\_\_\_\_ Limited, \_\_\_\_\_ General, \_\_\_\_\_ Arizona, \_\_\_\_\_ Foreign
- ☐ Limited Liability Company: \_\_\_\_\_ Arizona, \_\_\_\_\_ Foreign
- ☒ Corporation: \_\_\_\_\_ "S",   X   "C", \_\_\_\_\_ Non-profit
- ☐ Other, specify: \_\_\_\_\_

(A -8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership of each person listed in A-8.2.

**Please see Attachments A-8(1) and A-8(2-3).**

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

**Please see Attachment B.**

(A-10) Indicate the geographic market to be served:



Statewide. (Applicant adopts statewide map of Arizona provided with this application).



Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from reoccurring.

**Neither Applicant nor any of its officers, directors, or partners has been or are currently the subject of any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency that would have any bearing on the matters in this application.**

(A -12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you provide the following information:

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

**Neither Applicant nor any of its officers, directors, partners, or managers has been or are currently the subject of any civil or criminal investigation, or had judgment entered in any judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.**

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

☒ Yes

☐ No

**Applicant will not prevent its customers from accessing alternative toll service providers or resellers via 1+101XXXX access.**

(A-14) Is Applicant willing to post a Performance Bond? Please check appropriate box(s).

☐ For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

☐ Yes

☐ No

If "No", continue to question (A-15).

☒ For Local Exchange Resellers, a \$25,000 bond will be recommended.

☒ Yes

☐ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

☐ Yes

☐ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

☐ Yes

☐ No

If any box in (A-14) is marked "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than onetype of service.

(A-15) If any box in (A-14) is marked "No", provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the Applicant's superior financial position limits any risk to Arizona consumers.

N/A

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the Applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until you are advised to do so by the Hearing Division.

**Applicant will submit copies of the affidavits of publication for its legal notice as a reseller when it is completed. Please see Attachment C for Applicant's proposed legal notice.**

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in Arizona:

☒ Yes

☐ No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

**WIN-NuVox will primarily use Verizon as an underlying carrier.**

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

**Currently, Applicant is authorized to provided telecommunications services in: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. WIN-NuVox is in the process of requesting authority to provide telecommunications services in Arizona, Colorado, Connecticut, Colorado, Idaho, Maine, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Oregon, Rhode Island, Utah, Vermont and Wyoming. Applicant has not been denied authorization to provide telecommunications services.**

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

**Applicant provides telecommunications services in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.**

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R142-801.

**Applicant does not have any affiliates that are alternative providers of this service in Arizona.**

(A-21) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- ☐ Decision # 64178 Resold Long Distance
- ☒ Decision # 64178 Resold LEC
- ☐ Decision # 64178 Facilities Based Long Distance
- ☐ Decision # 64178 Facilities Based LEC

#### B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

☒ Yes

☐ No

If "No," explain why and give the date on which the Applicant began operations.

**Applicant does not have its own financial statements, but will rely on the consolidated financial statements of its ultimate corporate parent company, Windstream Corporation ("Windstream")**

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

**Please see Attachment D, which contains a copy of the most recent SEC Form 10-K of Windstream.**

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

**See Response to B-1 and B-2.**

(B -4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.

**WIN-NuVox's projected operating revenue from intrastate telecommunications services for the first 12 months following certification is approximately \$11,040.00.**

2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.

**WIN-NuVox's projected operating expenses from intrastate telecommunications services for the first 12 months following certification is approximately \$5,520.00.**

3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

**The projected value of all Arizona jurisdictional assets is expected to be zero.**

4. If the projected value of all assets is zero, please specifically state this in your response.

**Please see the response to B-4(3), above.**

5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

**The projected fair value is the same as the projected net book value.**

#### **C. RESOLD AND/OR FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

(C-1) Indicate if the Applicant has a resale agreement in operation,

☐

Yes

☒

No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

**D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

☐ Yes ☐ No N/A

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in Arizona.

**E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59421:

☐ Yes ☐ No N/A

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

☐ Yes ☐ No N/A

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

☐ Yes ☐ No N/A

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

Cesar Caballero

(Signature of Authorized Representative)

2/18/2011

(Date)

Cesar Caballero

(Print Name of Authorized Representative)

Vice President - Regulatory Strategy.

(Title)

SUBSCRIBED AND SWORN to before me this 18 day of February, 2011

Leigh A. Anderson  
NOTARY PUBLIC

My Commission Expires 1/3/17



**Attachment A - 1**

Certificate of Good Standing

# STATE OF ARIZONA



Office of the  
**CORPORATION COMMISSION**  
**CERTIFICATE OF GOOD STANDING**

*To all to whom these presents shall come, greeting:*

*I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that*

**\*\*\*WINDSTREAM NUVOX, INC.\*\*\***

**a foreign corporation organized under the laws of Delaware did obtain authority to transact business in the State of Arizona on the 31st day of August 2010.**

***I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal as of the date of this certificate.***

***This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.***

**IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 23rd Day of February, 2011, A. D.**



  
Executive Director

By: \_\_\_\_\_ 576245

**Attachment A-8(2-3)**

Ownership Information for Windstream NuVox, Inc.

The principal officers and directors of Applicant are as follows:

Officers:

Jeffery Gardner	President and CEO
Brent Whittington	COO
Anthony W. Thomas	CFO
John Fletcher	EVP, Secretary and General Counsel
Kristi Moody	Assistant Secretary
Michael D. Rhoda	SVP, Government Affairs

Directors:

Jeffery Gardner  
Francis X. Frantz

All Officers and Directors may be contacted through the Applicant's offices at:

Windstream Regulatory Legal Department  
4001 Rodney Parham Road  
Little Rock, AR 72212  
Tel: (501) 748-7000

Windstream NuVox, Inc. is a wholly owned indirect subsidiary Windstream Corporation ("Windstream"), a publicly traded corporation. To its knowledge, no person or entity owns 10% or more of Windstream. A chart depicting Applicant's ownership is attached hereto.

**Attachment B**

**Proposed Local Exchange Tariff**

**COMPETITIVE  
LOCAL EXCHANGE CARRIER  
SERVICES  
OF  
WINDSTREAM NUVOX, INC.**

---

ISSUED: February 19, 2010

EFFECTIVE: , 2010

By: Vice President - Regulatory Strategy  
4001 Rodney Parham Road  
Little Rock, AR 72212

**LOCAL EXCHANGE TARIFF****CHECK SHEET**

All Pages included in this tariff are effective as of the date shown.

<b>PAGE</b>	<b>REVISION</b>	<b>PAGE</b>	<b>REVISION</b>	<b>PAGE</b>	<b>REVISION</b>
Title	Original	26	Original	52	Original
1	Original	27	Original	53	Original
2	Original	28	Original	54	Original
3	Original	29	Original	55	Original
4	Original	30	Original	56	Original
5	Original	31	Original	57	Original
6	Original	32	Original	58	Original
7	Original	33	Original	59	Original
8	Original	34	Original		
9	Original	35	Original		
10	Original	36	Original		
11	Original	37	Original		
12	Original	38	Original		
13	Original	39	Original		
14	Original	40	Original		
15	Original	41	Original		
16	Original	42	Original		
17	Original	43	Original		
18	Original	44	Original		
19	Original	45	Original		
20	Original	46	Original		
21	Original	47	Original		
22	Original	48	Original		
23	Original	49	Original		
24	Original	50	Original		
25	Original	51	Original		

ISSUED: February 19, 2010

EFFECTIVE: , 2010

By: Vice President - Regulatory Strategy  
4001 Rodney Parham Road  
Little Rock, AR 72212

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### EXPLANATION OF SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below:

- (C) - To signify changed regulation.
- (D) - To signify discontinued rate, regulation, or text.
- (I) - To signify increased rate.
- (M) - To signify a move in the location of text.
- (N) - To signify new rate, regulation, or text.
- (O) - To signify information that has been made obsolete.
- (R) - To signify reduced rate.
- (S) - To signify reissued matter.
- (T) - To signify a change in text but no change in rate or regulation.

**APPLICATION OF TARIFF**

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate communications services by Windstream NuVox, Inc., herein after referred to as the "Company", to Customers within the service area defined herein. Service is currently offered only to non-residential Customers.

Any of the Company's rates and charges may be revised, discontinued, supplemented or changed from time to time in accordance with applicable law and the regulations of the Arizona Corporation Commission.

---

ISSUED: February 19, 2010

EFFECTIVE: .2010

By: Vice President - Regulatory Strategy  
4001 Rodney Parham Road  
Little Rock, AR 72212

**DEFINITIONS****1.1 Terms applicable to the Company's service are defined below:**

Advance Payment: Payment of all or part of a charge required before the start of service.

Authorized User: A person, firm, corporation, or other entity that either is authorized by the Customer to use local exchange telephone service or is placed in a position by the Customer, either through acts or omissions, to use local exchange telephone service.

Auto Redial: A customer can activate this feature when a busy signal is encountered at the called end. The Company's equipment will dial the called party for up to 30 minutes in an attempt to establish the call. When the called number is free, the caller will be signaled via distinctive ring to pick up the handset for completion.

Bit: The smallest unit of information in the binary system of notation.

Call Forward Busy: Automatically routes incoming calls to a pre-designated answering point when the called line is busy.

Call Forward Don't Answer: Automatically routes incoming calls to a pre-designated answering point when the called line is not answered after a preset number of rings.

Call Forward Variable: Automatically routes incoming calls to a designated answering point selected by the subscriber, regardless of whether the user's station is idle or busy. The subscriber may change the designated answering point using the telephone keypad.

Call Hold: Allows the user to hold one call for any length of time provided that neither party goes On Hook.

Call Park: Allows a User to "park" a call against their directory number within the business group and "unpark" the call from any other directory number. A business group consists of a series of Customer-defined telephone numbers

Call Return: When the customer activates this feature, the Company's equipment will automatically redial the customer's last incoming call for up to 30 minutes. The customer will be signaled via a distinctive ring to pick up the handset if the call can be completed.

Call Transfer Disconnect: Allows the subscriber to transfer a call to a third party and then hang up, leaving the other two parties connected. The subscriber's line is then free to make and receive calls.

**DEFINITIONS**

Call Waiting: Provides the User with a burst of tone to indicate that another call is waiting. The second call can either be answered by flashing the switch hook or hanging up the phone and being rung back by the caller.

Caller ID Name and Number Delivery: Displays the name (where technically available) and 10-digit number of the calling party before the call is answered. Specialized answering equipment is required to display the calling party information. The calling party may block the display of their number by dialing a code prior to placing the call.

Caller ID Blocking: Blocks the delivery of the number to the called party on a per call basis.

Calling Number Delivery: Allows customers to receive the originating caller's working telephone number (where technically available).

Cancel Call Waiting: Allows a user to cancel the Call Waiting feature on a per call basis by dialing a specific two digit code.

Company: Windstream NuVox, Inc., which is the issuer of this document.

Completed Call: A call, or other telephonic communication, originated by a person or mechanical/electrical device from a number to another number, which is answered, by a person or mechanical/electrical device. The numbers may be located any distance apart within the state; and the communication may consist of voice, data, a combination of both, or other transmission via a wire or wireless medium; and may be for any duration of time.

Contract: A Customer Service Agreement ("CSA") or other contract made by and between Windstream NuVox, Inc. and a customer for the provision of Services. The Company may provide any of its services on a contractual basis. The terms and conditions of each Contract offering are subject to the agreement of both the Customer and Company.

Customer: The person, firm, corporation or other entity which orders service and is responsible for the payment of charges and for compliance with the Company's regulations.

Deny Terminating: Allows blocking of all incoming calls to a basic line or multi-line group.

Deposit: Refers to a cash or equivalent of cash security held as a guarantee for payment of the charges.

Direct Inward Dialing (DID): A service attribute that routes incoming calls directly to Station, by-passing a central answering point.

**DEFINITIONS**

**Dual Tone Multi-Frequency (DTMF):** The pulse type employed by tone dial Station sets.

**Expedite Charge:** Nonrecurring charge which applies when the Customer requests to decrease the standard due date for pending service orders pertaining to initial service installation, or moves, additions, or changes to existing service.

**Exchange Carrier:** Any individual, partnership, association, joint-stock company, trust, governmental entity or corporation engaged in the provision of local exchange telephone services.

**Fiber Optic Cable:** A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple internal reflections to a receiver, which translates the message.

**Foreign Exchange:** Permits a customer, at his option, to obtain exchange service from a point within the serving area but distant from the customer's service point. There is no charge for this configuration.

**Fraudulent Use:** Includes, but is not limited to: (1) using the Network to transmit a message, or otherwise give or obtain information, without payment for the Service; (2) using or attempting to use the Network with the intent to avoid payment, in whole or in part, of any of the Company's charges by rearranging, tampering with, or making connections not authorized by this document to any service components used to furnish the Company's Services; (3) toll free callers using the Network with the intent of gaining access to a Customer's outbound calling capabilities on an unauthorized basis; and/or (4) using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices to defraud or mislead.

**Hunting:**

*Rotary/Linear Hunting:* The hunt for an idle line starts with the called line in a prearranged group and ends with the last line in the group. Unless the first line is called, only a portion of the group is hunted.

*Circular Hunting:* This feature permits a complete hunt sequence over all the lines in a prearranged group. If no idle line is encountered, the hunt will continue until it reaches the line that was originally called.

*Preferential Hunting:* Some of all of the lines in a hunt group may have an associated preferential hunt list. This hunt list permits a pre-hunt over a subset or preferential group of lines before hunting through the multiline hunt group.

**In-Only:** A service attribute that restricts outward dial access and routes incoming calls to a designated answer point.

**Individual Case Basis:** A service arrangement in which the regulations, rates and charges are developed based on the specific circumstances of the Customer's situation

**Joint User:** A person, firm or corporation designated by the Customer as a user of local exchange service furnished to the Customer by the Company, and to whom a portion of the charges for such facilities are billed under a joint use arrangement.

**KBPS:** Kilobits, denotes thousands of bits per second.

**LATA:** A local access and transport area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192 for the provision and administration of communications services.

**DEFINITIONS**

Local Calling: A completed call or telephonic communication between a calling Station and any other Station within the local service area of the calling Station.

Local Exchange Carrier: A company, which furnishes exchange telephone service.

MBPS: Megabits, denotes millions of bits per second.

Monthly Recurring Charge (MRC): Charges invoiced monthly to the Customer for products and services per the rates in this document and/or the Customer's contract which continue for the agreed upon duration of the Service.

Multi-Frequency ("MF"): An inter-machine pulse-type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

Network: Refers to the Company's facilities, equipment, and Services provided under this document.

Non-recurring Charge ("NRC"): A charge assessed on a one-time or "per occasion" basis including, but not limited to, charges to process a Contract for new Service, install new Service, expedite, change or move existing Services, resolve troubles reported by Customer when the trouble is found to be caused by the Customer's facilities, or to perform other optional work initiated by the Customer, reconnect Service, or change Customer billing or records.

Off-Hook: The term "off-hook" denotes the active condition of a telephone exchange service line.

On-Hook: The term "on-hook" denotes the idle condition of a telephone exchange service line.

Presubscription: An arrangement whereby a Customer may select and designate to the Company an Interexchange Carrier it wishes to access, without an access code, for completing intraLATA and/or interLATA toll Calls. The selected Interexchange Carrier is referred to as the End User's Primary Interexchange Carrier (PIC).

Priority Call: Differentiates incoming calls by signaling the customer (called party) with a distinctive ringing pattern(s).

Records Change: Any non-service affecting change to the Customer's billing information.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

Regular Business Hours: 8:00 a.m. through 5:00 p.m., Monday through Friday, excluding defined Holidays.

Remote Access to Call Forwarding: Allows the user to activate and/or deactivate the Call Forwarding feature from any remote location, using a Touch-tone phone.

Supersedure: A change in the customer's billing name or address which does not involve a change in service.

**DEFINITIONS**

Service Commencement Date: The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order, contract, or this document, in which case the Service Commencement Date is the date of the Customer's acceptance of service. The parties must mutually agree on a substitute Service Commencement Date.

Service Order: The written request or contract for local exchange services executed by the Customer and the Company in a format specified by the Company. The signing of a Service Order or contract by the Customer and acceptance thereof by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this document, but the duration of the service is calculated from the Service Commencement Date.

Service(s): Refers to all telecommunications and other Services provided by the Company to Customers or Users.

Service Connection Charge: Non-recurring charge which applies to cover the Company's cost of processing Service Orders for new Services and additions/changes to existing Services.

Shared Facilities: A facility or equipment system or subsystem, which can be used simultaneously by several Customers.

Speed Dialing: Allows a subscriber to establish a speed calling list of up to 30 telephone numbers. The list associates telephone numbers with a unique 1-digit and/or 2-digit speed calling code. Initial entry and changes to the speed calling list are directly input from the associated subscriber line. Code lists may include local and/or toll telephone numbers.

Station: Telephone equipment from or to which calls are placed.

Telecommunications Service: Telecommunications offered for a fee directly to the public, or to such classes of Users as to be effectively available directly to the public, regardless of the facilities used.

Toll Restriction: Allows the customer to prohibit long distance calling and operator services access on a line or trunk. Toll restriction is activated when the dialed number is prefaced with "1" or "0". WATS access is not affected.

Three-Way Calling: Allow two parties to add a third party to the call. This feature may be used on both incoming and outgoing calls.

Trunk: A communications path connecting two switching systems in a network, used in the establishment of an end to end connection.

User (or End User): Any person or entity that obtains the Company's Services provided under this document, regardless of whether such person or entity is so authorized by the Customer.

Voice Data Protection: Prevents data calls from being interrupted by call waiting tones, testing, or busy verification attempts.

900 Blocking: Prevents access from the customer's lines/trunks to any 900 telephone number.

**RULES AND REGULATIONS****2.1 Undertaking of the Company:****2.1.1 Scope**

- 2.1.1.1 The Company undertakes to furnish communications service to business customers in connection with one-way and/or two-way information transmission in the State under the terms of this tariff.
- 2.1.1.2 The Company may provide services on a facilities based and/or resale basis.
- 2.1.1.3 Customers may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The Company is responsible under this tariff only for the services and facilities provided herein. It assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own customers.
- 2.1.1.4 Applications for initial or additional service made verbally or in writing become a contract upon establishment of the service or facility.

**2.1.2 Shortage of Equipment Facilities**

- 2.1.2.1 The Company reserves the right to limit or allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities or due to some other cause beyond the Company's control.
- 2.1.2.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and services and is limited to the capacity of the Company's facilities as well as facilities and services the Company may obtain from other carriers, to furnish service.

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.3 Terms and Conditions**

- 2.1.3.1 Except as otherwise provided herein, service is provided and billed on the basis of a minimum period of at least one month and shall continue to be provided until canceled by the Customer, in writing, on not less than 30 days notice. Unless otherwise specified herein, for the purposes of computing charges in this tariff, a month is considered to have 30 days. All calculations of dates set forth in this tariff shall be based on calendar days, unless otherwise specified herein.
- 2.1.3.2 Customers may be required to enter into written contracts which shall contain or reference the name of the Customer, a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff. Contracts may contain a minimum monthly commitment (MMC). The Company reserves the right to increase rates during the Contract term. Such rate increases will take effect following customer notification as required by Contract, if applicable. Services provided under Contract are not eligible for any promotional offerings, which may be offered by the Company from time to time.
- 2.1.3.3 At the expiration of the initial term specified in each Contract, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days notice, or as otherwise specified in the Customer/Company sales contract. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Contract and this tariff prior to termination. The rights and obligations, which by their nature extend beyond the termination of the term of the Contract shall survive such termination.

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.3 Terms and Conditions (Continued)**

- 2.1.3.4 This tariff shall be interpreted and governed by the laws of the State.
- 2.1.3.5 Another telephone company must not interfere with the right of any person or entity to obtain service directly from the Company.
- 2.1.3.6 The Customer has no property right to the telephone number or any other call number designation associated with services furnished by the Company. The Company reserves the right, consistent with applicable commission rules, to change such numbers, or the central office designation associated with such numbers, or both, assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.
- 2.1.3.7 The Customer agrees to operate Company-provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void Company liability for interruption of service and may make the Customer responsible for damage to equipment pursuant to paragraph 2.1.3.8 below.
- 2.1.3.8 The Customer agrees to return to the Company all Company-provided equipment delivered to Customer within five (5) days of termination of the service in connection with which the equipment was used. Said equipment shall be in the same condition as when delivered to Customer, normal wear and tear only excepted. Customer shall reimburse the Company, upon demand, for any costs incurred by the Company due to Customer's failure to comply with this provision.
- 2.1.3.9 By mutual agreement between the Customer and the Company, contract terms of 1 year, 2 years, 3 years, or longer can be executed.

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.4 Liability of the Company**

- 2.1.4.1 The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, other defects, or representations by the Company, or use of these services or damages arising out of the failure to furnish the service whether caused by acts of omission, shall be limited to the extension of allowances for interruption as set forth in Section 2.6, below. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.
- 2.1.4.2 The Company's liability for willful misconduct, if established as a result of judicial or administrative proceedings, is not limited by this tariff. The Company's liability, if any, with regard to delayed installation of Company facilities or commencement of service, shall not exceed \$1,000. With respect to any other claim or suit, by a Customer or by any others, for damages associated with the ordering (including the reservation of any specific number for use with a service), installation (including delays thereof), provision, termination, maintenance, repair, interruption or restoration of any service or facilities offered under this tariff, and subject to the provisions of Section 2.6, the Company's liability, if any, shall be limited as provided herein.
- 2.1.4.3 The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action or request of the United States government or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of these federal, state, or local governments, or of any military authority; preemption of existing service in compliance with national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials, or strikes, lockouts, work stoppages, or other labor difficulties..
- 2.1.4.4 The Company shall not be liable for: (a) any act or omission of any entity furnishing the Company or the Company's Customers facilities or equipment used for or with the services the Company offers; or (b) for the acts or omissions of other common carriers or warehousemen.

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.4 Liability of the Company (Continued)**

- 2.1.4.5 The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.
- 2.1.4.6 The Customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, condition, location or use of any installation provided by the Company. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section as a condition precedent to such installations.
- 2.1.4.7 The Company shall not be liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, unless such defacement or damage is caused by gross negligence or willful misconduct of the Company's agents or employees. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Company.
- 2.1.4.8 Notwithstanding the Customer's obligations as set forth in Section 2.3.2, the Company shall be indemnified, defended, and held harmless by the Customer or by others authorized by it to use the service against any claim, loss or damage arising from Customer's use of services furnished under this tariff including:
- claims for libel, slander, invasion of privacy or infringement of copyright arising from the material, data, information, or other content transmitted via the Company's service; and
  - patent infringement claims arising from combining or connecting the service offered by the company with apparatus and systems of the Customer or others; and
  - all other claims arising out of any act or omission of the Customer or others, in connection with any service provided by the Company pursuant to this tariff.

**RULES AND REGULATIONS**

**2.1 Undertaking of the Company (Continued)**

**2.1.4 Liability of the Company (Continued)**

- 2.1.4.9 The entire liability of the Company for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid to the Company by the Customer for the specific services giving rise to the claim, and no action or proceeding against the Company shall be commenced more than one year after the service is rendered.
- 2.1.4.10 The Company makes no warranties or representations, express or implied, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.
- 2.1.4.11 The Company shall not be liable for any act or omission of any other company or companies furnishing a portion of the service, or for damages associated with service, channels, or equipment which it does not furnish, or for damages which result from the operation of Customer-provided systems, equipment, facilities or services which are interconnected with Company services.

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.4 Liability of the Company (Continued)**

2.1.4.12 The Company does not guarantee nor make any warranty with respect to service installations at locations at which there is present an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such installations. The Customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to, or death of, any person or persons, or for any loss, damage or destruction of any property, owned by the Customer or others, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, locations or use of service furnished by the Company at such locations.

2.1.4.13 The Company shall not be liable for the Customer's failure to fulfill its obligations to take all necessary steps including, without limitation, obtaining, installing and maintaining all necessary equipment, materials and supplies, for interconnecting the terminal equipment or communications system of the Customer, or any third party acting as its agent, to the Company's network. The Customer shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection. In addition, the Customer shall ensure that its equipment and/or systems or that of its agent is properly interfaced with the Company's service, that the signals emitted into the Company's network are of the proper mode, band-width, power, data speed, and signal level for the intended use of the Customer and in compliance with the criteria set forth in Section 2.1.6. following, and that the signals do not damage Company equipment, injure its personnel or degrade service to other Customers. If the Customer or its agent fails to maintain and operate its equipment and/or system or that of its agent properly, with resulting imminent harm to Company equipment, personnel, or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service without liability.

**RULES AND REGULATIONS**

**2.1 Undertaking of the Company (Continued)**

**2.1.4 Liability of the Company (Continued)**

**2.1.4.14 With respect to Emergency Number 911 Service:**

- (a) This service is offered solely as an aid in handling assistance calls in connection with fire, police and other emergencies. The Company is not responsible for any losses, claims, demands, suits or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused by: (1) mistakes, omissions, interruptions, delays, errors or other defects in the provision of this service, or (2) installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of any equipment and facilities furnishing this service.
- (b) Neither is the company responsible for any infringement or invasion of the right of privacy of any person or persons, caused or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of emergency 911 service features and the equipment associated therewith, or by any services furnished by the Company including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing emergency 911 service, and which arise out of the negligence or other wrongful act of the Company, the Customer, its users, agencies or municipalities, or the employees or agencies of any one of them.

**2.1.4.15 For directory listing and directory services, the liability of the Company shall be limited to three months of recurring charges.**

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.4 Liability of the Company (Continued)**

- 2.1.4.16 In conjunction with a nonpublished telephone number, as described in Section 5, the Company will not be liable for failure or refusal to complete any call to such telephone when the call is not placed by number. The Company will make reasonable efforts to prevent the disclosure of the number of such telephone, but will not be liable should such number be divulged.
- 2.1.4.17 When a Customer with a nonpublished telephone number, as defined herein, places a call to the Emergency 911 Service, the Company will release the name and address of the calling party, where such information can be determined, to the appropriate local governmental authority. By subscribing to service under this tariff, Customer acknowledges and agrees with the release of information as described above.
- 2.1.4.18 In Conjunction with the Busy Line Verification and Interrupt Service as described in Section 6, the Customer shall indemnify and save the Company harmless against all claims that may arise from either party to the interrupted call or any person.
- 2.1.4.19 The Company shall not be liable for any act or omission concerning the implementation of Presubscription, as defined herein.

**RULES AND REGULATIONS****2.1 Undertaking of the Company (Continued)****2.1.5 Notification of Service-Affecting Activities**

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventive maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements consistent with applicable commission rules. With some emergency or unplanned service-affecting conditions, such as outage resulting from cable damage, notification to the Customer may not be possible.

**2.1.6 Provision of Equipment and Facilities**

2.1.6.1 Consistent with applicable commission rules, the Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.1.6.2 Consistent with applicable commission rules, the Company shall use reasonable efforts to maintain facilities that it furnishes to the Customer. The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair or otherwise interfere with any of the facilities installed by the Company, except upon the written consent of the Company.

**RULES AND REGULATIONS**

2.1 Undertaking of the Company (Continued)

2.1.6 Provision of Equipment and Facilities (Continued)

2.1.6.3 Equipment installed at the Customer Premises for use in connections with the services the Company offers shall not be used for any purpose other than that for which the Company has provided it.

2.1.6.4 The Company shall not be responsible for the installation, operation, or maintenance of any Customer-provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Beyond this responsibility, the Company shall not be responsible for:

- (a) the transmission of signals by Customer-provided equipment or for the quality of, or defects in, such transmission; or
- (b) the reception of signals by Customer-provided equipment; or
- (c) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

**RULES AND REGULATIONS****2.1     Undertaking of the Company (Continued)****2.1.7     Non-routine Installation**

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

**2.1.8     Ownership of Facilities**

Title to all facilities provided in accordance with this tariff remains in the Company, its agents or contractors.

**2.2     Prohibited Uses**

2.2.1     The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.2.2     The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

2.2.3     Where the Company provides service to its end-users through resale of another provider's service, such service shall be available only to the same class of customers to which the corresponding provider's service is available per any applicable tariffs.

2.3.4     Where the Company offers local exchange service through resale of another provider's service, such service shall not be available to interexchange carriers, wireless carriers, competitive access carriers or other telecommunications carriers as a substitute for access services.

**RULES AND REGULATIONS****2.3 Obligations of the Customer****2.3.1 General**

The Customer shall be responsible for:

- (a) the payment of all applicable charges pursuant to this tariff;
- (b) reimbursing the Company for damage to, or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer's premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will upon reimbursement for damages, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated to the Company's right of recovery of damages to the extent of such payment;
- (c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;
- (d) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide local exchange service to the Customer from the cable building entrance or property line to the location of the equipment space. Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service;

**RULES AND REGULATIONS****2.3 Obligations of the Customer (Continued)****2.3.1 General (Continued)**

- (e) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;
- (f) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under Section 2.3.1(d) above; and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of services as stated herein, removing the facilities or equipment of the Company;
- (g) not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities; and
- (h) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

**2.3.2 Claims**

With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees for:

- (a) any loss, destruction or damage to property of the Company or any third-party, or the death of or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting in whole or in part from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or
- (b) any claim, loss damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third-party, arising from any act or omission by the Customer, including without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between the Customer and the Company.

**RULES AND REGULATIONS****2.4 Customer Equipment and Channels****2.4.1 General**

A Customer may transmit or receive information or signals via the facilities of the Company.

**2.4.2 Station Equipment**

2.4.2.1 The Customer is responsible for providing and maintaining any customer equipment on their premises. The electric power consumed by such equipment shall be provided by, and maintained at the expense of, the Customer. All such terminal equipment must be registered with the FCC under 47 C.F.R., Part 68 and all wiring must be installed and maintained in compliance with those regulations. The Company will, where practicable, notify the Customer that temporary discontinuance of the use of a service may be required; however, where prior notice is not practicable, nothing contained herein shall be deemed to impair the Company's right to discontinue forthwith the use of a service temporarily if such action is reasonable under the circumstances. In case of such temporary discontinuance, the Customer will be promptly notified and afforded the opportunity to correct the condition which gave rise to the temporary discontinuance. During such period of temporary discontinuance, credit allowance for service interruptions as set forth in Section 2.6 following is not applicable.

2.4.2.2 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

**RULES AND REGULATIONS****2.4 Customer Equipment and Channels (Continued)****2.4.3 Interconnection of Facilities**

- 2.4.3.1 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing local exchange service and the channels, facilities, or equipment of others may be provided at the Customer's expense.
- 2.4.3.2 Local Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.
- 2.4.3.3 Facilities furnished under this tariff may be connected to Customer-provided terminal equipment in accordance with the provisions of this tariff.

**2.4.4 Inspections**

- 2.4.4.1 Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2.2 for the installation, operation, and maintenance of Customer-provided facilities and equipment to Company-owned facilities and equipment. No credit will be allowed for any interruptions occurring during such inspections.
- 2.4.4.2 If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm. The Company will, upon request 24 hours in advance, provide the Customer with a statement of technical parameters that the Customer's equipment must meet.

**RULES AND REGULATIONS****2.5 Payment Arrangements****2.5.1 Payment for Service**

The Customer is responsible for payment of all charges for service and facilities furnished by the Company to the Customer or its Joint or Authorized Users. The Company must receive objections within 30 days after statement of account is rendered, or the charges shall be deemed correct and binding upon the Customer. If any entity other than the Company imposes charges on the Company, in addition to its own internal costs, in connection with a service for which a Company Non-Recurring Charge is specified, those charges may be passed on to the Customer.

**2.5.1.1 Taxes, Fees, and Surcharges:** The Customer is responsible for the payment of any sales, use, franchise, gross receipts, excise, access or other local, state and federal taxes, fees, charges or surcharges (however designated) excluding taxes on the Company's net income imposed on or based upon the provision of Local Exchange Service, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g. County and municipal taxes) will only be recovered from those Customers residing in the affected jurisdictions. It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

**2.5.2 Billing and Collection of Charges**

Bills will be rendered monthly to Customer.

**2.5.2.1** All service, installation, monthly Recurring Charges and Non-Recurring Charges are due upon receipt or as specified on the customer invoice.

**2.5.2.2** The Company shall present bills for Recurring Charges monthly to the Customer, in advance of the month in which service is provided. Usage charges will be billed in arrears.

**2.5.2.3** Amounts not paid within 27 days after the date of invoice are considered past due. A monthly late payment charge of 1.5% and a late payment collections fee as specified below will be applied to past due amounts not previously assessed.

	<u>Current Charge</u>	<u>Maximum Charge</u>
Late Payment	\$12.00	\$20.00
Collection Fee		

**2.5.2.4** The charge below, or the highest permitted by law and Commission rules, will be assessed for checks with insufficient funds or non-existing accounts.

	<u>Current Charge</u>	<u>Maximum Charge</u>
Returned Check	\$29.00	\$50.00
Charge		

**RULES AND REGULATIONS****2.5     Payment Arrangements (Continued)****2.5.2     Billing and Collection of Charges (Continued)**

- 2.5.2.5     A Payment Convenience Charge will apply each time a Customer authorizes payment of outstanding charges over the telephone, and when the method of payment (credit card or check) allows the payment to be immediately credited to the Customer's account. The Customer will be informed of the Payment Convenience Charge prior to completing the request. This charge does not apply to payments that are mailed in, automatic funds transfer, payments made through the Company's website ([www.windstream.com](http://www.windstream.com)), or payment by any other electronic means offered by the Company that does not require an agent's interaction.

	<u>Current Charge</u>	<u>Maximum Charge</u>
Payment Convenience Charge	\$7.50	\$20.00

- 2.5.2.6     Customers can receive monthly invoices and associated billing detail by either of the following methods:

Paper Remittance Statement/Web Bill Detail: A monthly Paper Remittance Statement will be sent via the US Postal Service. The Statement will contain a summary of charges due, regulatory notices, remittance information, and instructions for retrieving detailed billing online. Customers can remit payment online or via US Postal Service.

Customers can retrieve and download their detailed usage and charges electronically on the Company's secure website. The electronic charges will contain all call detail, billing, and regulatory information required by Commission rules.

Paper Remittance Statement/Web Bill Detail is the preferred method for delivering billing information to customers.

Paper Remittance Statement/Web Bill Detail	No Charge
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Paper Bill: Customers electing not to retrieve their call detail on line will receive a paper copy of their entire bill, including call detail, via the US Postal Service. Customers will be charged a monthly Account Detail Charge to help recover costs associated with providing a paper invoice.

Customers who wish to discontinue paper bills in favor of a Paper Remittance Statement and Web Bill Detail can call the Company or opt for the electronic invoice on the website.

	<u>Current Charge</u>	<u>Maximum Charge</u>
Account Detail Charge	\$5.95 per month per invoice	\$15.00 per month per invoice

**RULES AND REGULATIONS****2.5 Payment Arrangements (Continued)****2.5.3 Disputed Bills**

The Customer shall notify the Company of any disputed items on a bill within 30 days of receipt of the bill. The Company will comply with the Commission's rules regarding dispute investigations. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Commission in accordance with the Commission's rules of procedure at the following address:

Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007  
602-542-4251

2.5.3.1 The date of the dispute shall be the date the Company receives sufficient documentation to enable it to investigate the dispute.

2.5.3.2 The date of the resolution is the date the Company completes its investigation and notifies the Customer of the disposition of the dispute.

**2.5.4 Advance Payments**

To safeguard its interests, the Company may require a Customer to make an Advance Payment before services and facilities are furnished. The Advance Payment will not exceed an amount equal to the Non-Recurring Charge(s) and one month's charges for the service or facility. In addition, where special construction is involved, the Advance Payment may also include an amount equal to the estimated Non-Recurring Charges for the special construction and Recurring Charges (if any) for a period to be set between the Company and the Customer. The Advance Payment will be credited to the Customer's initial bill.

## RULES AND REGULATIONS

### 2.5 Payment Arrangements (Continued)

#### 2.5.5 Deposits

- 2.5.5.1 Subject to the applicable regulations of the Commission, applicants for service or existing customers who cannot establish a satisfactory credit standing with the Company may be required to provide the Company a security deposit. The deposit requested will be in cash or the equivalent of cash, and will be held as a guarantee for the payment of charges.
- 2.5.5.2 A deposit may be required in addition to an advance payment.
- 2.5.5.3 When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may return the deposit or credit it to the Customer's account after twelve months if bills have been paid fully and on time, or as specified by the Commission.
- 2.5.5.4 Deposits held will accrue interest at a rate of 1.5% or as specified by the Commission. Interest is credited to the customer annually or upon termination of the service, or upon return of the deposit by the Company. The Company shall refund deposits and accrued interest in a manner consistent with applicable Commission regulations.
- 2.5.5.5 The Company will comply with Commission regulations regarding deposit record keeping.
- 2.5.5.6 A deposit does not relieve the Customer of the responsibility for the prompt and full payment of bills on presentation.

**RULES AND REGULATIONS****2.5 Payment Arrangements (Continued)****2.5.6 Discontinuance of Service**

- 2.5.6.1 Upon reasonable notice, and in compliance with applicable Commission regulations, the Company may discontinue or suspend service without incurring any liability, as follows:
- (a) Upon 10 days prior written notice to the Customer for nonpayment of any past due amounts as defined in 2.5.2.3.
  - (b) Upon 10 days written notice to the Customer for non-compliance or violation of the material terms or conditions for furnishing service, with this document, or with Commission regulations regarding service supplied by Company, if such violation continues during that notice period.
  - (c) Upon 10 days written notice to the Customer for failure to permit access to the Company's equipment.
  - (d) Upon 10 days written notice to the Customer, after failure of the Customer to comply with a request made by the Company for deposit or advance payment.
- 2.5.6.2 The Customer is responsible for providing adequate lines to enable the Company to terminate all toll-free (e.g., 800/888) service calls to the Customer's telephone equipment. Should the Customer have insufficient lines on which to terminate 800 Service calls, the Company reserves the right to request the Customer to add additional lines for call terminations. If, after ninety (90) days, the Customer has not made the requested change, the Company, without incurring any liability, reserves the right to terminate the Customer's 800 Service, with thirty (30) days' written notice.
- 2.5.6.3 Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company may re-establish service by whatever means may be reasonable under the circumstances (including by replacement of the affected facilities or resale of another carrier's services or facilities). The company may seek to modify its service area to reflect the loss of facilities.
- 2.5.6.4 Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, failing to discharge an involuntary petition within the time permitted by law, or abandonment of service, the Company may, with prior notice to the customer, immediately discontinue or suspend service without incurring any liability, except to the extent such action is restricted by applicable regulations of the Commission.
- 2.5.6.5 Upon any governmental prohibition, or required alteration of the services to be provided or any violation of any applicable law or regulation, the Company may immediately discontinue or suspend service without incurring any liability.

**RULES AND REGULATIONS****2.5 Payment Arrangements (Continued)****2.5.6 Discontinuance of Service (Continued)**

- 2.5.6.6 Immediately and without notice, the Company may, to the extent permitted by applicable regulations of the Commission, discontinue the furnishing of any and/or all service(s) to a Customer without incurring any liability if:
- (a) The Company deems it necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents, facilities or services; or
  - (c) The Customer provides false information or refuses to provide information to the Company regarding the Customer's identity, address, creditworthiness, past or current use of other common carrier communications services, or its planned use of the Company's service(s); or
  - (d) The Customer uses, or attempts to use, service with the intent to avoid the payment, either in whole or in part, of the Company's charges for the service by:
    - (1) Using or attempting to use service by rearranging, tampering with, or making unauthorized connections to the Company's service; or
    - (2) Using tricks, schemes, false or invalid numbers, false credit devices, electronic devices; or
    - (3) Any other fraudulent means or devices; or
  - (e) The Customer uses of service in such a manner as to interfere with the service of other users; or
  - (f) The Customer uses service for unlawful purposes, or the Company is required to discontinue service by a governmental/law enforcement requirement; or
  - (g) A safety hazard is found to exist at the Customer's premises; or
  - (h) The Customer transmits obscenity or profanity over Company facilities.

**RULES AND REGULATIONS**

2.5 Payment Arrangements (Continued)

2.5.6 Discontinuance of Service (Continued)

2.5.6.7 The suspension or discontinuance of service(s) by the Company pursuant to this Section does not relieve the Customer of any obligation to pay the Company for charges due and owing for service(s) furnished during the time of or up to suspension or discontinuance.

2.5.6.8 Upon the Company's discontinuance of service to the Customer under Section 2.5.6, all applicable charges, including termination charges, shall become due. This is in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this document.

**RULES AND REGULATIONS****2.6 Allowances for Interruptions of Service**

- 2.6.1 **Credit for Interruptions:** When the use of service or facilities furnished by the Company is interrupted due to any cause other than the negligence or willful act of the Customer, or the operation or failure of the facilities or equipment provided by the Customer, a pro rata adjustment of the monthly Recurring Charges subject to interruption will be allowed for the service and facilities rendered useless and inoperative by reason of the interruption whenever said interruption continues for a period of 24 hours or more from the time the interruption is reported to or known to exist by the Company, except as otherwise specified in the Company's tariffs. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the monthly Recurring Charges specified hereunder for Local Line or Local Trunk Service and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit. Credit allowances for service outages that exceed 24 hours in duration will be rounded up to the next whole 24 hours.

**2.6.2 Limitations on Allowances**

No credit allowance will be made for:

- A. Interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, Authorized User, Joint User, or other common carrier providing service connected to the service of Company;
- B. Interruptions due to the negligence of any person other than the Company including but not limited to the Customer or other common carriers connected to the Company's facilities;
- C. Interruptions due to the failure or malfunction of non-Company equipment;
- D. Interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- E. Interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- F. Interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- G. Interruption of service due to circumstances or causes beyond the control of the Company.

- 2.6.3 **Use of Alternative Service Provided by the Company:** Should the Customer elect to use an alternative service provided by the Company during the period that a service is interrupted, the Customer must pay the tariffed rates and charges for the alternative service used.

**RULES AND REGULATIONS****2.7     Cancellation of Service****2.7.1     Cancellation of Application for Service**

2.7.1.1     Where the Company permits Customer to cancel an application for service prior to the start of service and/or prior to any special construction, charges may apply.

2.7.1.2     Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of service ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.

2.7.1.3     The special charges described in 2.7.1.2 will be calculated and applied on a case-by-case basis.

**2.7.2     Cancellation of Service by the Customer**

If a customer is disconnected under Section 2.5.6, cancels a Contract, or otherwise terminates services before the completion of the term for any reason whatsoever, Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in 2.5.2, all costs, fees and expenses incurred in connection with:

- A. all Non-Recurring Charges owed the Company, plus
- B. any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus
- C. all Recurring Charges specified in the applicable Service Order or Contract for the balance of the then current term.

**RULES AND REGULATIONS****2.8     Transfer and Assignments**

A Customer, joint user, or authorized user may not assign, or transfer in any manner, the Service or any rights associated with the Service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity only if the existing Customer has paid all charges owed to the Company for services. All regulations and conditions contained in this Document shall apply to all such permitted assignees or transferees, as well as all conditions of service and assignee must assume all of Customer's obligations. The Company may assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company; (b) pursuant to any sale or transfer of substantially all the assets of the Company; or (c) pursuant to any financing, merger or reorganization of the Company.

**2.9     Notices and Communications**

- 2.9.1     The Customer shall designate on the Service Order and contract an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.
- 2.9.2     The Company shall designate on the Service Order and contract an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.
- 2.9.3     All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following deposit of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.
- 2.9.4     The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

**SERVICE CONNECTION CHARGES****3.1 Description**

Service Connection Charges are one-time charges associated with a service or item of equipment. They necessarily apply on a per-item basis each time the service or an item of equipment is provided and include, but are not limited to, the following:

- 1) **Service Connection Charge:** A Service Connection Charge is a one-time charge for Company work associated with activities to set up/change accounts. This includes service order issuance, programming, billing, etc., for installations, moves, changes, or rearrangements of services and/or equipment.
- 2) **Labor Charge:** Labor Charges are one-time charges related to work performed by the Company or a Company representative associated with customer premises visits. Charges are broken down as follows:

Regulated - Charges for work done on the Company's side of the protector/Standard Network Interface (SNI) and Demarcation Point (NI). This may include, but is not limited to, installing, rearranging, changing, re-terminating, moving or removing the Demarcation Point or SNI, or adding/rearranging of existing access lines at the customer's request.

Maintenance - When a dispatch is necessary on repair to isolate trouble on the Customer's side of the Demarcation Point. Charges apply when a technician is dispatched, the network is verified OK, and trouble is isolated to the customer's side of the Demarcation Point.

Inside Wire Maintenance/Installation/Jacks - Includes all wire, cable, and jacks (excluding customer premise equipment) on the customer's side of the Company's Demarcation Point. Charges apply at the customer's request and expense.

**SERVICE CONNECTION CHARGES****3.2 General Regulations**

- 3.2.1 The Service Connection Charges contemplate work being performed by the Company, or on behalf of the Company, during normal working hours.
- 3.2.2 Service Connection Charges are in addition to other rates and charges normally applying under the tariffs. They apply in addition to construction charges made because of unusual costs in establishing service.

**3.3 Service Connection Charges Do Not Apply To:**

- 3.3.1 Moves or changes required for the proper maintenance of service.
- 3.3.2 Changes of telephone numbers for Company initiated reasons or service reasons, e.g., change to Touch-tone service.

- 3.4 The Labor Charges outlined below apply whenever a customer premises visit is required, at the customer's request, as specified under 3.1:

	<u>Current Charge</u>	<u>Maximum Charge</u>
First hour, one hour minimum	\$125.00	\$175.00
Each additional half hour	\$42.50	\$75.00
Materials	Cost plus 8%	

**SERVICE CONNECTION CHARGES****3.5 Service Connection Charges for all Services**

Non-recurring charges apply to cover the Company's cost of processing Service Orders for new services and additions/changes to existing services as follows. These charges may apply in addition to Service Installation charges for specific services as noted in applicable sections of this tariff.

<b><u>Service Connection Charge</u></b>	<b><u>Current NRC</u></b>	<b><u>Maximum NRC</u></b>	<b><u>Applies to:</u></b>
<b>Channel Charges</b>			
Facility Channel or Business Line	\$75.00	\$175.00	Additions or changes - first Channel.
Additional Channel(s) or Business Line lines	\$50.00	\$125.00	Maximum order charge of \$125.00 or 2+ channels/lines
Disconnect Channel(s)/or Business Line	\$25.00	\$75.00	Applies per service order at the time of disconnection.
DID Block	\$25.00	\$75.00	Add, change or disconnect up to 60 DID number in blocks of 20
DID Block	\$75.00	\$175.00	Add, change or disconnect 61+ Numbers
Ported DID Block	\$50.00	\$125.00	Add up to 60 Numbers
Ported DID Block	\$150.00	\$250.00	Add 61+ Numbers
Channel Reconfiguration - Voice/Data, T1/PRI, Directionality	\$100.00	\$225.00	Additions or changes per order
Convert Voice/Data Channel	\$50.00	\$125.00	Change per order
PRI Back Up D Channel	\$25.00	\$75.00	Additions or changes per order
<b>Voice Channel Features</b>			
Calling Features, Hunting, Remote Call Forwarding, Signaling, Extended Area or other secondary order changes	\$25.00	\$75.00	Per service order for additions/changes. Limit of 3 features per order.
<b>Customer Account Charges</b>			
Change Customer/ Company Name	\$50.00	\$125.00	Per order
Change of Billing Address	N/C		
Change of Ownership	\$100.00	\$250.00	Per order
PIC Change	\$5.00	\$15.00	Per change of presubscribed interexchange carrier
Change Telephone Number	\$25.00	\$75.00	Per line
Change Parent/Child Billing	\$150.00	\$250.00	Per order

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EFFECTIVE: , 2010

By: Vice President - Regulatory Strategy  
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**SERVICE CONNECTION CHARGES**3.5 Service Connection Charges for all Services (Continued)

<b>Service Connection Charge</b>	<b>Current NRC</b>	<b>Maximum NRC</b>	<b>Applies to:</b>
<b>Directory Listings Charges</b>			
Primary, Non-Published, Non-Listed and Other Listings	\$15.00	\$30.00	Per addition or change
Additional Phonebooks	\$5.00	\$15.00	Per book
<b>800/Long Distance Service</b>			
800 #	\$50.00	\$125.00	Add/Change, per order
Ported 800 #	\$75.00	\$175.00	Add/Change, per order
Disconnect 800 Number	\$25.00	\$75.00	Per order, at the time the order is placed
800 Directory Assistance Listing	\$25.00	\$75.00	Per request
Vanity 800 number	\$100.00	\$200.00	Add/Change, per number
Payphone /Non-Payphone Call Blocking	\$25.00	\$75.00	Add/Change, per order
Features –Time of Day or Holiday Routing; Ring-to Number	\$25.00		Add/Change, per order
Geo Routing	\$50.00	\$125.00	
Phone Card Set Up; Additional Phone Card	\$25.00	\$75.00	Per card
Account Codes	\$25.00	\$75.00	Add/Change up to 25 Numbers
Account Codes	\$50.00	\$125.00	Add/Change 26+ Numbers
LD Buckets	\$5.00		Per Add/Change or per order
<b>Restoration of Service</b>	\$50.00	\$125.00	Applies per order for restoration of service and facilities after payment received for suspended service
<b>Reconnection Charge-</b>			
Reconnect - Full	\$250.00	\$500.00	Applies when customer rescinds disconnect order and Company must reorder facility
Reconnect – Partial	\$100.00	\$250.00	Applies when customer rescinds disconnect order but facility still available

**SERVICE CONNECTION CHARGES****3.6 Expedited Service Connection Charges**

Customers may request an expedited date for pending service orders pertaining to initial service installation, or moves, additions, or changes to existing service.

The Company will provide to the Customer an estimate of expedite charges when the Customer requests an expedited due date. The Customer can elect standard installation rather than incurring the estimated charges for expedited service.

Expedited service is offered subject to availability of facilities and resources as well as service order and systems readiness. If the Company accepts, at its option, a request to expedite an order, the Company does not guarantee the requested due date in advance of the normal service order interval. The Company will use its best effort to meet the requested due date. The Company is not liable for vendor or other third-party charges incurred by the Customer if the Company is unable to meet the expedited due date.

A Customer will not be charged an expedite charge in the event the Company is unable to expedite the order. If a Customer requests an expedited date and the Company complies, but the Customer subsequently postpones the due date, expedite charges will still apply.

Non-Recurring Expedite Charges apply in addition to other applicable non-recurring installation and/or Service Connection Charges. The charges apply per order.

<u>Lines/Feature Expedite Charges</u>	<u>Current NRC</u>	<u>Maximum NRC</u>
Remote Call Forwarding	\$175.00	\$350.00
Signaling Changes (ground / loop start)	\$175.00	\$350.00
T1 Line Type Conversion (Combo, 2WDID, DID, PRI)	\$175.00	\$350.00
Toll Free Directory Assistance, Feature, Number, Ring-To Changes	\$75.00	\$175.00
Toll Free Number - New Number	\$75.00	\$175.00
Voice Channels - Added to existing T1 voice facilities	\$75.00	\$175.00
Voice Line - New UNE-L with new numbers only	\$175.00	\$350.00
Long Distance - Rate Plan Change	\$75.00	\$175.00
Porting Numbers	1 – 50 lines \$75.00	\$175.00
	51+ lines \$175.00	\$350.00
Toll Free Numbers - Ported	1 – 50 lines \$75.00	\$175.00
	51+ lines \$175.00	\$350.00
Voice Service added (for first time) to existing T1	\$175.00	\$350.00

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**LOCAL EXCHANGE SERVICES****4.1     Description**

Local Exchange Service offers customers the ability to connect to the Company's network and originate calls to all other stations on the telephone network. The Company's service cannot be used to originate calls to other telephone companies' caller-paid information services (e.g., 900, 976). Calls to those numbers and other numbers used for caller-paid information services will be blocked by the Company.

Service is provided subject to the availability of network services, facilities, and technology, and availability of customer equipment, wiring, software, and capacity. Services, rates, and contract conditions might not be available in all areas.

**4.2     Service Area:**

The Company offers service in areas where it has been certificated by the Commission and where it has available facilities or has leased the requisite facilities. The Company offers service the 666 and 668 LATAs, including the following rate centers:

Casa Grande  
Flagstaff  
Nogales  
Phoenix  
Prescott  
Sedona  
Sierra Vista  
Tucson  
Yuma

The Company concurs with the NPA/NXX designations, maps and/or exchange boundaries of the incumbent local exchange carrier.

**4.3     Local Calling Service**

Free local calling within the local calling area is included in the monthly recurring charges. Customers can call anywhere within their respective local calling area. Calls terminating outside the customer's local calling area are subject to toll or other charges.

The local calling area includes all NPA/NXXs within the Customer's rate center.

**LOCAL EXCHANGE SERVICES****4.4 Emergency Services (Enhanced 911)**

Emergency service (Enhanced 911) allows customers to reach appropriate emergency services including police, fire and medical services. The Customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP). The Company will collect 911 surcharges from customers and remit all surcharge revenue to the appropriate government entity, as required by Commission rules, local jurisdiction requirements, and State law.

**4.5 Telecommunications Relay Service (TRS)**

Telecommunications Relay Service enables hearing or speech-impaired persons who use a Text Telephone (TT) or similar devices, to communicate. A Customer will be able to access the state provider to complete such calls. The Company will collect TRS surcharges from customers and remit all surcharge revenue to the appropriate government entity, as required by Commission rules and State law.

**4.6 State Universal Service Fund (USF) Assessment**

The Company will collect state USF surcharges from customers and remit all surcharge revenue to the appropriate government entity, as required by Commission rules and State law.

**LOCAL EXCHANGE SERVICES****4.7 Caller ID Regulations**

The following regulations apply to the Caller ID feature:

- 4.7.1 Per line blocking for the delivery of name and number is available upon request, at no charge, to the following entities and their employees/volunteers, for lines over which the official business of the agency is conducted including those at the residences of employees/volunteers, where an executive officer of the agency registers with the Company a need for blocking: (a) private, nonprofit, tax-exempt, domestic violence intervention agencies and (b) federal, state, and local law enforcement agencies. Name and number information will not be transmitted from a line equipped with this capability.
- 4.7.2 Per line blocking is operational on a continuous basis but can be deactivated by the customer by dialing an access code immediately prior to placing a call. Line blocking customers can unblock their calling name and number information on a per call basis, at no charge, by dialing an access code (\*82 for Touch-tone or 1182 for rotary) immediately before placing a call.
- 4.7.3 Any calling party may prevent the delivery of their calling name and/or number to the called party by dialing an access code (\*67 on their Touch-tone pad or 1167 from a rotary phone) immediately prior to placing a call. The access code will activate per call blocking, which is available at no charge.
- 4.7.4 If the calling party activates blocking, the name and/or number will not be transmitted across the line to the called party. Instead, Caller ID customers will receive an anonymous indicator. This anonymous indicator notifies the Caller ID customer that the calling party has elected to block the delivery of their name and telephone number. The blocking of name and number will not be provided on calls originating from Customer Owned Pay Telephones.
- 4.7.5 Caller ID customers will be responsible for the provision of a display device which will be located on the customer's premises. The installation, repair, and technical capability of that equipment will be the responsibility of the customer. The Company assumes no liability and will be held harmless for any incompatibility of this equipment to perform satisfactorily with the network features described herein.
- 4.7.6 Caller ID information is intended solely for the use of the Caller ID subscriber. Resale of this information is prohibited by this document. Name and number information will not be displayed if the called party is off-hook or if the called party answers during the first ring interval. Name and number information will be displayed for calls made from another central office only if it is linked by appropriate facilities. Caller ID is not available on operator handled calls.
- 4.7.7 The Company shall not be liable for any claims for damages caused or claimed to have been caused by the transmission of Caller ID information.
- 4.7.8 Caller ID information may not be sold or given to another party without the caller's written permission. Information may only be used for (a) routing or completing of calls; (b) billing of calls; (c) account management purposes; (d) services directly related to the call or transaction; (e) verification of calling party identity; and (f) marketing products or services that are directly related to those previously acquired by the customers from the Caller ID subscriber. This applies if the Caller ID subscriber has an existing relationship with the customer. Caller ID customers failing to comply with any of these conditions will have their service terminated.

**DIRECTORY LISTINGS****5.1    General Regulations**

- 5.1.1    The Company shall provide for a single directory listing, termed the primary listing, in the telephone directory published by the dominant exchange service provider in the customer's exchange areas of the Station number which is designated as the Customer's main billing number. Directory listings of additional Company Station numbers, other than the Customer's main billing number, associated with a Customer's service will be provided for a monthly recurring charge per listing.
- 5.1.2    The Company reserves the right to limit the length of any listing in the directory by the use of abbreviations when, in its judgment, the clearness of the listing or the identification of the Customer is not impaired thereby. Where more than one line is required to properly list the Customer, no additional charge is made.
- 5.1.3    The Company may refuse a listing which is known not to constitute a legally authorized or adopted name, obscenities in the name, or any listing which, in the opinion of the Company, is likely to mislead or deceive calling persons as to the identity of the listed party, or is a contrived name used for advertising purposes or to secure a preferential position in the directory or is more elaborate than is reasonably necessary to identify the listed party. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.
- 5.1.4    Each listing must be designated Government or Business to be placed in the appropriate section of the directory. In order to aid the user of the directory, and to avoid misleading or deceiving the calling party as to the identity of the listed party, only business listings may be placed in the Business Section and only residential listings in the Residential section. The Company, upon notification to the customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.
- 5.1.5    In order for listings to appear in an upcoming directory, the Customer must furnish the listing to the Company in time to meet the directory publishing schedule.
- 5.1.6    When a customer receives a new telephone number, the Company will offer the Customer intercept and referral service without charge for a period of 30 days. If the customer desires this service, the Company will intercept all calls to the Customer's former telephone number and refer callers to the new telephone number.

**DIRECTORY LISTINGS****5.2**     Descriptions

Directory listings are provided in connection with each Customer service as specified herein.

5.2.1     Primary Listing: A primary listing contains the name of the Customer, or the name under which a business is regularly conducted, as well as the address and telephone number of the Customer. This listing is provided at no additional Charge.

5.2.2     Additional Listings: In connection with business service, additional listings are available only in the names of Authorized Users of the Customer's service, as defined herein.

5.2.3     Nonpublished Listings: Listings that are neither printed in directories nor available from Directory Assistance.

A Nonpublished Telephone Service will be furnished, at the Customer's request, providing for the omission or deletion of the Customer's telephone listing from the telephone directory and, in addition, the Customer's telephone listing will be omitted or deleted from the directory assistance records, subject to the provisions set forth in Section 2, Rules and Regulations, 2.1.4.15- 2.1.4.17.

5.2.4     Nonlisted Numbers: A Nonlisted number will be furnished at the Customer's request, providing for the omission or deletion of the Customer's listing from the telephone directory. Such listings will be carried in the Company's directory assistance and other records and will be given to any calling party.

5.2.5     Foreign Listings: Where available, a listing in a telephone directory which is not in the Customer's immediate calling area. The Customer will be charged the rates specified in the tariff published by the specific exchange carrier providing the Foreign Listing.

5.2.6     Alternate Listings: Where available, a listing which references a telephone number that is not the primary listing for the Customer. The Customer must provide written verification that the Alternate telephone number is authorized to accept calls.

**DIRECTORY LISTINGS****5.3 Rates**

The following charges apply for directory listings.

	<u>Current MRC</u>	<u>Maximum MRC</u>	<u>Current NRC</u>	<u>Maximum NRC</u>
Primary Listing	No Charge	No Charge	\$5.00	No Charge
Additional Listing	\$1.40	\$10.00	\$5.00	\$40.00
Additional Main Listing	\$1.40	\$10.00	\$5.00	\$40.00
Non-Published Number	\$2.50	\$10.00	\$5.00	\$40.00
Non-Listed Number	\$1.40	\$10.00	\$5.00	\$40.00
Classified Heading	No Charge	\$10.00	\$5.00	\$40.00

Service Connection Charges under Section 3, apply for additions/changes to directory listings.

The charges above apply per listing or per number.

Charges for Non-Published Numbers do not apply to customers serviced by Telecommunications Devices for the Deaf (TDD).

**OPERATOR SERVICES****6.1 Directory Assistance**

A customer may obtain Directory Assistance in determining telephone numbers by calling the Directory Assistance operator.

6.1.1 Each call to Directory Assistance (411 or 1-NPA-555-1212) will be charged as follows:

	<u><b>Current MRC</b></u>	<u><b>Maximum MRC</b></u>
Per Call	\$1.99	\$5.00

6.1.2 A credit will be given for calls to Directory Assistance under the following circumstances:

- a) The Customer experiences poor transmission or is cut-off during the Call; or
- b) The Customer is given an incorrect telephone number.

6.1.3 To obtain a credit as identified under 6.1.2 above, the Customer must notify its Customer Service representative.

6.1.4 Directory Assistance Call Completion is available, where facilities and technology permit, when the Customer requests connection to the telephone number requested from Directory Assistance. There is no call allowance for Directory Assistance Call Completion. Rates apply in addition to charges for Directory Assistance and any applicable toll charges as follows:

	<u><b>Current MRC</b></u>	<u><b>Maximum MRC</b></u>
Per Call	\$.35	\$2.00

**OPERATOR SERVICES****6.2 Operator Assistance**

A customer may obtain the assistance of a local operator to complete local exchange telephone calls in the following manner:

- 6.2.1 Third Number Billing: Provides the Customer with the capability to charge a local call to a third number which is different from the called or calling party. The party answering at the third number has the option to refuse acceptance of the charges in advance or when queried by the operator.
- 6.2.2 Collect Calls: Provides the Customer with the capability to charge a call to the called party. On the operator announcement of a collect call, the called party has the option to refuse acceptance of charges in advance or when queried by the operator.
- 6.2.3 Calling Cards: Provides the Customer with the capability to place a call using a calling card of an Interexchange Carrier with or without the assistance of an operator.
- 6.2.4 Person to Person: Calls completed with the assistance of an operator to a particular Station and person specified by the caller. The call may be billed to the called party.
- 6.2.5 Station to Station: Calls completed with the assistance of an operator to a particular Station. The call may be billed to the called party.
- 6.2.6 General Assistance: The Customer has the option to request general information from the operator, such as dialing instruction, country or city codes, area code information and Customer Service 800 telephone numbers, but does not request the operator to complete the call.
- 6.2.7 Operator Assisted Surcharges:  
The following surcharges will be applied per call:

	<u>Current MRC</u>	<u>Maximum MRC</u>
Station to Station	\$.65	\$2.00
Person to Person	\$1.50	\$5.00
0+/-0-	\$.65	\$2.00
General Assistance	No charge	No charge

**OPERATOR SERVICES**

- 6.2.8 Busy Line Verification: Upon request of the calling party, the Company will determine if the line is clear of "in use" and report to the calling party.
- 6.2.9 Busy Line Verification with Interrupt: The Operator will interrupt the call on the called line only if the calling party indicates an emergency and requests interruption.
- 6.2.10 Busy Line Verification Rates:  
The following charge will apply for verification, interruption, and connection:

	<u>Current MRC</u>	<u>Maximum MRC</u>
Per Request	\$6.99	\$15.00

**OPERATOR SERVICES**

**6.3     Additional Operator Services Regulations**

- 6.3.1     The Company will arrange for listing of its name on a LEC's billing of the Company's charges, if the LEC has multi-carrier bill listing capability.
- 6.3.2     The Company will employ reasonable calling card verification procedures, which are acceptable to the companies issuing the calling cards. In order to control fraud, the Company may refuse to accept calling cards, which it determines to be invalid or cards which it is unable to verify.
- 6.3.3     The Company will direct all "0" or "00" emergency calls in the quickest manner to the local emergency service provider at no charge.
- 6.3.4     Upon request, the Company will transfer calls to other authorized interexchange companies or to the LEC, if billing can list the caller's actual point of origin.
- 6.3.5     The Company's contracts with traffic aggregators will contain provisions which:
  - a)     Prohibit the blocking of access to an end-user's interexchange carrier of choice.
  - b)     Provide for the prominent posting or display, on or near the telephones to be utilized by end-users, of material setting forth the name of the Company, complaint procedures, instructions on reaching the LEC operator as well as other interexchange carriers, and procedures for emergency calls.
- 6.3.6     All services in this section are provided subject to availability of technology and facilities. Operator Assistance may not be available for all call types. Applicable per minute usage charges also apply.

**MISCELLANEOUS SERVICES****7.1 Temporary Promotional Programs**

The Company, may, from time to time offer special promotional service offerings designed to attract new customers or to promote customer awareness of services. Promotional service offerings shall be subject to specific dates, times, and/or locations. Unless otherwise specified, promotional rates are not available to existing customers.

**7.2 Individual Case Basis**

Individual Case Basis (ICB) pricing, services, and arrangements may be developed by the Company upon request and offered at its discretion on a case-by-case basis to a customer or potential customer. ICB offerings will take into account special customer considerations including, but not limited to, bundled services, volume or term commitments, or a response to a competitive offering, and may differ from rates, terms or services otherwise found in this document. ICB rates and terms will be offered to the Customer in writing and a contract entered into between the Company and the Customer and provided on a non-discriminatory basis. Terms of ICB arrangements will be provided to the Commission pursuant to applicable rules, regulations or laws on a proprietary basis.

**7.3 SoftPhone**

SoftPhone provides the capability to make voice calls using software loaded on a computer located at the customer's premises where unchannelized VoIP broadband service is provisioned to allow for full capacity data transmission. SoftPhone includes assignment of a local telephone number and 911 capability. For intrastate long distance calls placed using SoftPhone, the applicable per minute long distance rate will apply. No additional charge applies to local calls made using SoftPhone.

	<u>Current MRC</u>	<u>Maximum MRC</u>
Per Client	\$15.00	\$45.00

**7.4 Business Line:**

Business Line is an analog, loop-start channel that can be connected to a single device, e.g., a single line telephone set, fax, or modem. Business Line channels cannot be used to serve multi-line devices such as key systems or PBXs. This facility may be provided via either central office unbundled loop or resale arrangements.

	<u>Current MRC</u>	<u>Maximum MRC</u>
Per Channel	\$60.00	\$100.00

**MISCELLANEOUS SERVICES****7.5      Special Construction****7.5.1    Basis for Charges**

Where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company and may include: (1) non-recurring type charges; (2) recurring type charges; (3) termination liabilities; or (4) combinations thereof.

**7.5.2    Basis for Cost Computation**

The costs referred to above may include one or more of the following items to the extent they are applicable:

- 1) Cost installed of the facilities to be provided including estimated costs for the rearrangements of existing facilities. Cost installed includes the cost of:
  - a) equipment and materials provided or used,
  - b) engineering, labor and supervision,
  - c) transportation, and
  - d) rights of way;
- 2) cost of maintenance;
- 3) depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;
- 4) administration, taxes and uncollectible revenue on the basis of reasonable average costs for these items;
- 5) license preparation, processing and related fees;
- 6) tariff/contract preparation, processing and related fees;
- 7) any other identifiable costs related to the facilities provided;
- 8) an amount for return and contingencies.

**MISCELLANEOUS SERVICES****7.5 Special Construction - (Continued)****7.5.3 Termination Liability**

To the extent that there is no other requirement for use by the Company, a termination liability will apply for facilities specially constructed at the request of the Customer.

The termination period is the estimated service life of the facilities provided.

The maximum termination liability amount is equal to the estimated amounts for:

- 1) Cost installed of the facilities provided including estimated costs for arrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Cost installed includes the cost of:
  - a) equipment and materials provided or used,
  - b) engineering, labor and supervision,
  - c) transportation, and
  - d) rights of way;
- 2) license preparation, processing, and related fees;
- 3) tariff preparation, processing, and related fees;
- 4) cost of removal and restoration, where appropriate; and
- 5) any other identifiable costs related to the specially constructed or rearranged facilities.

The applicable liability method for calculating the unpaid balance of a term obligation is obtained by multiplying the sum of the amounts determined as set forth above by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined pursuant to the above paragraphs shall be adjusted to reflect the predetermined estimate net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.

**MISCELLANEOUS SERVICES****7.6 Remote Call Forwarding****7.6.1 Description**

Remote Call Forwarding (RCF) provides the subscriber with a "local" 7- or 10-digit number telephone number, which can be used by callers outside of the subscriber's exchange. Calls appear to the calling party to be local in nature. Calls to the RCF number are automatically forwarded to another telephone number designated by the RCF subscriber. The RCF number can be in either a different exchange (remote) or another central office within the same exchange (local).

**7.6.2 General Regulations**

- 1) RCF is subject to the availability of Company facilities and compatibility with customer facilities and configuration. Transmission quality is dependent upon distance and routing of the forwarded call and is not suitable for data.
- 2) Terminating stations must have incoming call capability.
- 3) Additional paths can be ordered to handle multiple calls to the RCF number, as long as there are adequate customer facilities to handle multiple calls at the terminating end.
- 4) The RCF subscriber is responsible for all charges between the RCF number and the terminating number, including toll.
- 5) The caller is responsible for charges between the originating number and the RCF number.
- 6) One directory listing per access path ordered is provided without charge for the telephone directory associated with the RCF number. Additional listings may be ordered as specified in the Directory Listings section of this tariff.
- 7) Account codes cannot be placed on the terminating number. Caller ID information may not be available on the terminating end. Distinctive ringing is not available on incoming calls.
- 8) The terminating line cannot be a residential line.
- 9) The minimum contract period is one month.
- 10) Non-recurring charges will apply for moves and changes.

**7.6.3 Rates**

	<u>Current MRC</u>	<u>Maximum MRC</u>
Per Path	\$25.00	\$75.00

**WINDSTREAM DYNAMIC OFFICE AND TOTAL OFFICE****8.1 Description**

Windstream Dynamic Office and Total Office (referred to collectively as "Dynamic Office") is a family of services utilizing Voice over Internet Protocol (VoIP) technology. Dynamic Office is available with T1, ISDN-PRI, or other transport mechanism. Services and features are offered subject to the availability of network services, facilities and technology and compatibility with customer equipment, wiring, software, and capacity.

Dynamic Office is available to new customers, and to existing customers upon expiration of their existing contracts for other service. Customers who convert to Dynamic Office are not entitled to accumulated long distance minutes associated with their pre-existing contract. Multi-location customers can, but are not required, to have Windstream Dynamic Office at all locations.

Pricing in this section does not include handsets, wiring, installation, LAN assessment, or any other special installation or services unless specified herein. Customer is responsible for subscribing to appropriate levels of bandwidth, based on the number of users, to accommodate local, long distance and 911 calling. Customer is responsible for complying with any guidelines or terms regarding this service and for having necessary facilities in place for its operation. The Company is not responsible for outages or performance issues that might occur if Customer does not conform to these guidelines. Remote site DID service requires that a physical address be associated with each DID for the provision of local calling and 911 emergency routing service.

Windstream Dynamic Office customers must maintain a minimum monthly commitment, defined as 85% of their monthly recurring charges at initial installation. Customers may decrease their services without penalty provided they do not fall below their minimum monthly commitment.

ICB pricing, services, and arrangements may be developed by the Company to accommodate specialized design and the customer-specific nature of this offering.

**WINDSTREAM DYNAMIC OFFICE AND TOTAL OFFICE****8.2 Voice**

Customers can choose between 1 and 24 voice lines per facility. Service is available with analog lines, digital trunks, PRI, or SIP.

**8.2.1 Analog Line, Digital Trunk, and PRI Sessions:**

**Current MRC**  
\$6.75 Per Seat

**Maximum MRC**  
\$25.00 Per Seat

**8.2.2 SIP Call Paths:**

Customers can choose between 1 and 96 Call Paths. Pricing will be calculated based on the number of simultaneous call paths that are specified on a per customer basis.

**Current MRC**  
\$25.00 Per Call Path

**Maximum MRC**  
\$100.00 Per Seat

**8.2.3 SIP Compression:**

This optional feature increases simultaneous calls and call path capacity by condensing message size prior to sending messages across the network. SIP Compression MRC applies in addition to the Call Path MRC.

**Current MRC**  
\$150.00 per 1.5 Mbps of Transport

**Maximum MRC**  
\$350.00 per 1.5 Mbps of Transport

**8.3 Features**

Customers can elect to add these individual features at specified rates:

<b><u>Feature</u></b>	<b><u>Current MRC</u></b>	<b><u>Maximum MRC</u></b>
Caller ID	No charge	No charge
Call Forward Busy and/or Don't Answer	\$2.50	\$7.00
Call Forward Universal	\$4.00	\$10.00
Call Holding	\$2.50	\$7.00
Call Transfer Disconnect	\$4.50	\$12.00
DID Numbers/Telephone Numbers	\$11.00	\$25.00
Additional Directory Listings	\$2.00 per listing	\$6.00 per listing
Hunting	\$9.00	\$25.00
Last Number Redial	\$2.50	\$7.00
Toll Restriction	No charge	No charge
Directory Assistance Listing (lists 8XX number in 8XX Directory Assistance):	\$45.00 per Listing per month	\$110.00 per Listing per month

**WINDSTREAM DYNAMIC OFFICE AND TOTAL OFFICE****8.4 Basic Feature Bundle**

This bundle of features can be added to Dynamic Office service.

**Standard Basic Feature Bundle Features:**

Call Forward Busy and/or Don't Answer  
Call Forward Universal  
Call Holding  
Call Transfer Disconnect  
10 Free Directory Assistance calls  
1 Primary Directory Listing  
Hunting  
Last Number Redial  
Speed Dial 8  
Speed Dial 100  
Toll Restriction  
Unlimited Account Codes  
1,000 Long Distance minutes per location  
Rollover long distance minutes (3 months)  
2 Toll Free Numbers per location  
Various non-regulated services

**Current MRC**

\$40.00 Per Seat

**Maximum MRC**

\$120.00 Per Seat

**8.5 Advanced Features**

The advanced features listed below are available for an additional price.

	<b><u>Current MRC</u></b>	<b><u>Maximum MRC</u></b>
Auto Attendant	\$35.00 Per Number	\$120.00 Per Number

**WINDSTREAM DYNAMIC OFFICE AND TOTAL OFFICE****8.6 Windstream Total Office**

Windstream Total Office is a Hosted VoIP service that provides shared inbound/outbound local service, long distance, and features that can be administered at the user, administrator, or service provider level. Windstream Total Office services can be delivered over VoIP transport service or another service provider's transport. Each user has an assigned telephone and basic features, and the option of subscribing to additional features. Other services may be bundled with Windstream Total Office service subject to availability and compatibility and applicable pricing.

**8.6.1 Sessions - Customer Provided Circuit:**

<u>Current MRC</u>	<u>Maximum MRC</u>
\$25.00 Per Seat	\$75.00 Per Seat

- 8.6.2 Features, as described in 8.3 preceding, are available with Total Office.  
Basic Feature Bundle, as described in 8.4 preceding, is available with Total Office.

**8.6.3 Enhanced Feature Bundle - Enhanced Feature Bundle is available with Total Office.**User Features:

Caller ID/Name	Call Forwarding Select (with Time of Day scheduling)
Call Forward Always/Busy/No Answer	Automatic Call Hold
Call Fwd. Universal	Busy Lamp Field
Call Hold	4 or more Way Calling
Last Number Redial	Customer Ring Back
Call Log	Directed Call Pickup (with Barge In)
3 Way Call	Call Notify
Call Return	Priority Alert/ Distinctive Ring
Call Transfer Consultation	Selective Call Acceptance
Call Transfer 3 Way	Selective Call Rejection
Caller Id Block	Sequential Ring/FMFM
Call Transfer Disconnect ( Blind)	SIM Ring
Call Waiting	Alternate Numbers
Call Waiting Cancel	Automatic Hold Retrieve
Attended Call Transfer	Barge-in Exempt
Speed Dialing	Voice Portal Calling
Anonymous Call Rejection	Push to Talk/Auto Answer
Do Not Disturb	Shared Appearance 10+
Automatic Call Back	Anywhere
Transfer Takeback	Remote Office
Flash Call Hold	Voice Portal

5000 Long Distance minutes per location

Group Features:

Hunting	Music On Hold
Call Park	Customer Ringback
Call Pickup	Instant Group Call

<u>Current MRC</u>	<u>Maximum MRC</u>
\$80.00 per location	\$200.00 per location

**WINDSTREAM DYNAMIC OFFICE AND TOTAL OFFICE****8.7 Long Distance**

Long distance (LD) rates apply for inbound and outbound IntraLATA, intrastate, and interstate domestic calls. LD minutes are billed in 6-second increments with an 18-second minimum call length. International dialing and access to "900" telephone numbers are blocked unless otherwise specified by the customer. Windstream Dynamic Office customers are required to use long distance service that is provided by the Company or the Company's designated provider, Windstream Communications, Inc. Customers may qualify for LD pricing determined on an ICB basis.

LD Blocks can be used in conjunction with Dynamic Office. Long distance minutes in excess of the Basic and Enhanced Feature Package free minutes will be rated at the applicable overage rate. Applicable calling card surcharges and rates apply.

**8.8 VoIP Non-Recurring Charges (NRC)**

A NRC applies to all new installations.

This NRC does not apply when Basic Feature Bundle or Features are subsequently added to an account.

**Current NRC**

\$1000.00 per location

**Maximum NRC**

\$2500.00 per location

**Attachment C**

Proposed Legal Notice

NOTICE OF APPLICATION FOR A CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE RESOLD  
INTEREXCHANGE TELECOMMUNICATIONS  
SERVICES BY WINDSTREAM NUVOX, INC.

Windstream NuVox, Inc. ("Applicant") has filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services in the State of Arizona. Applicant will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission.

A.R.S. § 40-282 provides that the Commission may act on an application for a Certificate to provide resold telecommunications services without a hearing, or with a hearing, if one is requested by any party. Applicant or any other party must request a hearing within twenty (20) days of the date of this notice, or the Commission will rule on the application without a hearing.

The application, report of the Commission's Utilities Division Staff, and any written exceptions to the Staff report prepared by the applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona, 85007, and at Windstream NuVox, Inc., 4001 Rodney Parham Road, Little Rock, AR 72212.

Under appropriate circumstances, interested parties may intervene in the proceedings, and participate as a party. Intervention shall be in accordance with the A.A.C. R 14-3-105, except that all motions to intervene must be filed on or within twenty (20) days of the date of this notice. You may have the right to intervene in the proceedings, or you may make a statement for the record. If you have any comments, mail them to:

The Arizona Corporation Commission  
Attention Docket Control  
Re: Windstream NuVox, Inc.  
(Enter Docket Number)  
1200 West Washington Street  
Phoenix, Arizona 85007

All Comments should be received within twenty (20) days of the date of this notice.

If you have any questions about this application or have any objections to its approval, you may contact Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelley Hood, ADA Coordinator, voice phone number (602) 542-3931, E-Mail [shood@cc.state.az.us](mailto:shood@cc.state.az.us). Requests should be made as early as possible to allow time to arrange the accommodation.

**Attachment D**

**Financial Information of Windstream Corporation**

# WIN 10-K 12/31/2009

## Section 1: 10-K (FORM 10-K)

### Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

### FORM 10-K

- (X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2009  
or  
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-32422

WINDSTREAM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

20-0792300  
(I.R.S. Employer  
Identification No.)

4001 Rodney Parham Road, Little Rock, Arkansas  
(Address of principal executive offices)

72212  
(Zip Code)

Registrant's telephone number, including area code (501) 748-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
Common Stock (\$0.0001 par per share)

Name of each exchange on which registered  
NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

NONE  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ YES ☐ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ YES ☒ NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ YES ☐ NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

☐ YES ☒ NO

Aggregate market value of voting stock held by non-affiliates as of June 30, 2009 - \$3,650,897,247

Common shares outstanding, February 16, 2010 - 456,909,066

### DOCUMENTS INCORPORATED BY REFERENCE

#### Document

Proxy statement for the 2010 Annual Meeting of Stockholders  
The Exhibit Index is located on pages 36 to 40.

Incorporated Into  
Part III

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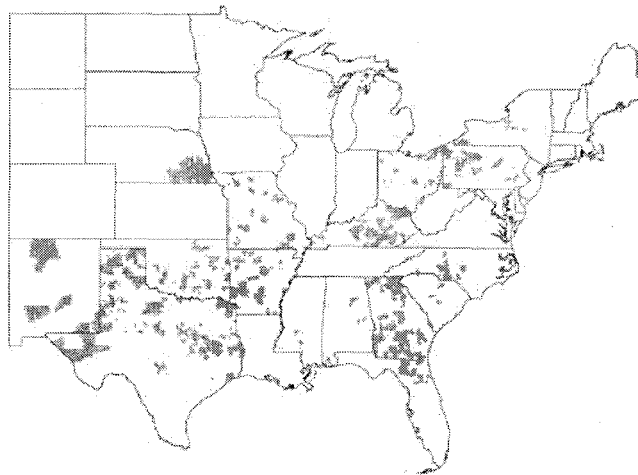
**THE COMPANY**

**GENERAL**

In this report, Windstream Corporation and its wholly owned subsidiaries are referred to as “Windstream”, “we”, or the “Company”. On July 17, 2006, Alltel Corporation, which has subsequently merged with Verizon Communications Inc. (“Alltel”), completed the spin off of its wireline telecommunications division and immediately merged with and into Valor Communications Group, Inc. (“Valor”), with Valor continuing as the surviving corporation. The resulting company was renamed Windstream Corporation. Windstream is a corporation organized under the laws of the state of Delaware, and it was organized under the name Valor Communications Group, Inc. in 2004. For all periods prior to the merger with Valor described herein, references to the Company include Alltel Holding Corp. or the wireline telecommunications division and related businesses of Alltel.

Windstream is a customer-focused telecommunications company that provides phone, high-speed Internet and digital television services. The Company also offers a wide range of IP-based voice and data services and advanced phone systems and equipment to businesses and government agencies. As of December 31, 2009, the Company provided service to approximately 3.0 million access lines and 1.1 million high-speed Internet customers primarily located in rural areas in 16 states.

The shaded areas in the following map reflect Windstream’s service territories as of December 31, 2009.



The Company’s web site address is [www.windstream.com](http://www.windstream.com). Windstream files with, or furnishes to, the Securities and Exchange Commission (the “SEC”) annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, as well as various other information. This information can be found on the SEC website at [www.sec.gov](http://www.sec.gov). In addition, Windstream makes available free of charge through the Investor Relations page of its web site its annual reports, quarterly reports, and current reports, and all amendments to any of those reports, as soon as reasonably practicable after providing such reports to the SEC. In addition, on the corporate governance section of the Investor Relations page of its web site, Windstream makes available its Code of Ethics, the Board of Directors’ Amended and Restated Corporate Governance Board Guidelines, and the charters for its Audit, Compensation, and Governance Committees. Windstream will provide to any stockholder a copy of the Governance Board Guidelines and the Committee charters, without charge, upon written request to Investor Relations, Windstream Corporation, 4001 Rodney Parham Road, Little Rock, Arkansas 72212.

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**Table of Contents****Windstream Corporation  
Form 10-K, Part I****Item 1. Business****FORMATION OF WINDSTREAM**

On July 17, 2006, Alltel completed the spin off of its wireline telecommunications division, Alltel Holding Corp. Pursuant to the spin off, Alltel contributed all of its wireline assets to the Company in exchange for: (i) newly issued Company common stock, (ii) the payment of a special dividend to Alltel in the amount of \$2.3 billion and (iii) the distribution by the Company to Alltel of certain debt securities (the "Contribution"). In connection with the Contribution, the Company assumed approximately \$261.0 million of long-term debt that had been issued by the Company's wireline subsidiaries. Following the Contribution, Alltel distributed 100 percent of the common shares of the Company to its shareholders as a tax-free dividend.

Immediately after the consummation of the spin off, Alltel Holding Corp. merged with and into Valor, with Valor continuing as the surviving corporation. The merger was accounted for using the purchase method of accounting for business combinations, in accordance with authoritative guidance, with Alltel Holding Corp. serving as the accounting acquirer. The accompanying consolidated financial statements reflect the combined operations of Alltel Holding Corp. and Valor following the spin off and merger transactions on July 17, 2006. Results of operations prior to the merger and for all historical periods presented are for Alltel Holding Corp. The resulting company was renamed Windstream Corporation. As a result of the merger, all of the issued and outstanding shares of the Company's common stock were converted into the right to receive an aggregate number of shares of common stock of Valor. Valor issued in the aggregate approximately 403 million shares of its common stock to Alltel shareholders pursuant to the merger, or 1.0339267 shares of Valor common stock for each share of the Company's common stock outstanding as of the effective date of the merger. Upon completion of the merger, Alltel's stockholders owned approximately 85 percent of the outstanding equity interests of the surviving corporation, Windstream, and the stockholders of Valor owned the remaining approximately 15 percent of such equity interests. In addition, Windstream assumed Valor debt valued at \$1,195.6 million.

**MATERIAL ACQUISITIONS COMPLETED DURING THE LAST FIVE YEARS**

On February 8, 2010, we completed our previously announced acquisition of NuVox, Inc. ("NuVox"), a competitive local exchange carrier based in Greenville, South Carolina. Consistent with the Company's focus on growing revenues from business customers, the completion of the NuVox acquisition added approximately 90,000 business customer locations in 16 contiguous Southwestern and Midwest states and provides opportunities for significant operating efficiencies with contiguous Windstream markets. NuVox's services include voice over internet protocol, local and long-distance voice, broadband internet access, email, voicemail, web hosting, secure electronic data storage and backup, internet security and virtual private networks. Many of these services are delivered over a secure, privately-managed IP network, using a multiprotocol label switch backbone and distributed IP voice switching architecture.

In accordance with the NuVox merger agreement, Windstream acquired all of the issued and outstanding shares of common stock of NuVox for \$199.0 million in cash, net of cash acquired, and issued approximately 18.7 million shares of Windstream common stock valued at \$187.0 million on the date of issuance. Windstream also repaid outstanding indebtedness and related liabilities on existing swap agreements of NuVox approximating \$281.0 million.

On December 1, 2009, we closed our previously announced acquisition of Lexcom, Inc. ("Lexcom"), which resulted in the addition of approximately 22,000 access lines, 9,000 high-speed Internet customers and 12,000 cable television customers in North Carolina. This acquisition increased Windstream's presence in North Carolina and provides the opportunity for operating synergies with contiguous Windstream markets. In accordance with the Lexcom merger agreement, Windstream acquired all of the issued and outstanding shares of Lexcom common stock for approximately \$138.7 million in cash, net of cash acquired.

On November 10, 2009, we closed our previously announced merger with D&E Communications, Inc. ("D&E"), which resulted in the addition of approximately 110,000 incumbent local exchange carrier ("ILEC") access lines, 35,000 competitive local exchange carrier ("CLEC") access lines, 45,000 high-speed Internet customers and 9,000 cable television customers. This acquisition increased Windstream's presence in Pennsylvania and provides the opportunity for operating synergies with contiguous Windstream markets. Pursuant to the merger agreement, Windstream acquired all of the issued and outstanding shares of common stock of D&E, and D&E merged with and into a wholly-owned subsidiary of Windstream.

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

In accordance with the D&E merger agreement, D&E shareholders received 0.650 shares of Windstream common stock and \$5.00 in cash per each share of D&E Common Stock. Windstream issued approximately 9.4 million shares of its common stock valued at approximately \$94.6 million, based on Windstream's closing stock price of \$10.06 on November 9, 2009, and paid approximately \$56.6 million, net of cash acquired, as part of the transaction. Windstream also repaid outstanding debt of D&E Communications totaling \$182.4 million.

On August 31, 2007, Windstream completed the acquisition of CT Communications, Inc. ("CTC") in a transaction valued at \$584.3 million. Under the terms of the agreement the shareholders of CTC received \$31.50 in cash for each of their shares with a total cash payout of \$652.2 million. The transaction value also includes a payment of \$37.5 million made by Windstream to satisfy CTC's debt obligations, offset by \$105.4 million in cash and short-term investments held by CTC. Including \$25.3 million in severance and other transaction-related expenses, the total cost of the acquisition was \$609.6 million. Windstream financed the transaction using the cash acquired from CTC, \$250.0 million in borrowings available under its revolving line of credit, and additional cash on hand. The premium paid by Windstream in this transaction is attributable to the strategic importance of the CTC acquisition. The acquisition of CTC significantly increased Windstream's operating presence in North Carolina through the addition of approximately 132,000 access lines and 31,000 high-speed Internet customers and provided the opportunity to generate significant operating efficiencies with contiguous Windstream markets.

As previously discussed, on July 17, 2006, Alltel Holding Corp. merged with and into Valor, with Alltel Holding Corp. serving as the accounting acquirer. Through this transaction, Windstream added approximately 500,000 customers in complementary markets with favorable rural characteristics making the Company one of the largest local telecommunications carriers in the United States.

#### **PENDING ACQUISITIONS**

On November 23, 2009, we entered into an agreement and plan of merger pursuant to which we will acquire all of the issued and outstanding shares of common stock of Iowa Telecommunications Services, Inc. ("Iowa Telecom"). Under the terms of the merger agreement, Iowa Telecom shareholders will receive 0.804 shares of common stock of Windstream and \$7.90 in cash per each share of Iowa Telecom common stock. We expect to issue approximately 26.5 million shares of Windstream common stock and pay approximately \$261.0 million in cash as part of the transaction. We also will repay estimated net debt of approximately \$598.0 million. This acquisition is expected to close in mid-2010 and is subject to certain conditions, including receipt of necessary approvals from federal and state regulators and Iowa Telecom shareholders. As of September 30, 2009, Iowa Telecom provided services to approximately 256,000 access lines, 95,000 high-speed Internet customers and 26,000 digital television customers in Iowa and Minnesota.

#### **MATERIAL DISPOSITIONS COMPLETED DURING THE LAST FIVE YEARS**

On November 21, 2008, Windstream completed the sale of its wireless business to AT&T Mobility II, LLC for approximately \$56.7 million. The completion of this transaction resulted in the divestiture of approximately 52,000 wireless customers, spectrum licenses and cell sites covering a four-county area of North Carolina with a population of approximately 450,000 and six retail locations. The operating results of the wireless business have been separately presented as discontinued operations in the accompanying consolidated statements of income.

On November 30, 2007, Windstream completed the split off of its directory publishing business (the "publishing business") in a tax-free transaction with entities affiliated with Welsh, Carson, Anderson & Stowe ("WCAS"), a private equity investment firm and Windstream shareholder.

To facilitate the split off transaction, Windstream contributed the publishing business to a newly formed subsidiary ("Holdings"). Holdings paid a special cash dividend to Windstream in an amount of \$40.0 million, issued additional shares of Holdings common stock to Windstream, and distributed to Windstream certain debt securities of Holdings having an aggregate principal amount of \$210.5 million. Windstream exchanged the Holdings debt securities for outstanding Windstream debt securities with an equivalent fair market value, and then retired those securities. Windstream used the proceeds of the special dividend to repurchase approximately three million shares of Windstream common stock during the fourth quarter of 2007. Windstream exchanged all of the outstanding equity of Holdings (the

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

“Holdings Shares”) for an aggregate of 19,574,422 shares of Windstream common stock (the “Exchanged WIN Shares”) owned by WCAS, which were then retired. Based on the price of Windstream common stock of \$12.95 at November 30, 2007, the Exchanged WIN Shares had a value of \$253.5 million. The total value of the transaction was \$506.7 million, including an adjustment for net working capital of approximately \$2.7 million. As a result of completing this transaction, Windstream recorded a gain on the sale of its publishing business of \$451.3 million in the fourth quarter of 2007 after substantially all performance obligations had been fulfilled.

In connection with the consummation of the transactions, the parties and their affiliates entered into a publishing agreement whereby Windstream granted Local Insight Yellow Pages, Inc. (“Local Insight Yellow Pages”), the successor to the Windstream subsidiary that operated the publishing business, an exclusive license to publish Windstream directories in each of its markets other than the acquired CTC markets. Local Insight Yellow Pages will, at no charge to Windstream or its affiliates or subscribers, publish directories with respect to each Windstream service area covered under the agreement in which Windstream or its affiliates are required to publish such directories by applicable law, tariff or contract. Subject to the termination provisions in the agreement, the publishing agreement will remain in effect for a term of fifty years. As part of this agreement, Windstream agreed to forego future royalty payments from Local Insight Yellow Pages on advertising revenues generated from covered directories for the duration of the publishing agreement.

#### **MANAGEMENT**

The Company’s staff at its headquarters and regional offices supervise, coordinate and assist subsidiaries in management activities including investor relations, acquisitions and dispositions, corporate planning, tax planning, cash and debt management, insurance, sales and marketing support, government affairs, legal matters, human resources and engineering services.

#### **EMPLOYEES**

At December 31, 2009, Windstream had 7,385 employees. Within Windstream’s work force, approximately 1,693 employees are part of collective bargaining units. During 2009, Windstream had no material work stoppages due to labor disputes with its unionized employees (see “Risk Factors”).

#### **ORGANIZATIONAL STRUCTURE AND OPERATING SEGMENTS**

Windstream has focused its communications business strategy on enhancing the value of its customer relationships by offering additional products and services and providing superior customer service. As of December 31, 2009, Windstream served more than 3.0 million access lines and 1.1 million high-speed Internet customers in 16 states. Windstream’s service offerings include phone, high-speed Internet and digital television. The Company also offers a wide range of IP-based voice and data services to businesses and government agencies.

Windstream is organized based on the products and services that it offers. Under this organizational structure, Windstream currently operates as a single wireline reporting segment focused on providing communications products and services. Previously, the Company reported a product distribution segment, but in the first quarter of 2009, the Company reorganized its operations to integrate the sales and administrative functions of the product distribution segment into its wireline operations. As a result of this change, the chief operating decision maker no longer reviews the financial statements of the product distribution operations on a stand alone basis, and the Company operates its wireline and product distribution operations as a single reporting segment (the “wireline segment”). As required by the authoritative guidance for segment presentation, segment results of operations have been retrospectively adjusted to reflect this change for all periods presented.

In November 2007, the Company sold its directory publishing business, as further discussed in “Item 1 – Material Dispositions Completed During the Last Five Years”. Prior to this sale, the Company reported the results of these operations as its directory publishing segment.

#### **CONSOLIDATED WIRELINE SEGMENT**

The Company’s wireline segment consists of Windstream’s retail and wholesale telecommunications services, whose primary revenue streams include voice and related features, high-speed Internet service, long distance, data and special access, switched access and interconnection, and video services.

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The following table is a summary of wireline segment results for the years ended December 31:

Wireline Segment	2009	2008	2007
Total revenues and sales	\$ 2,996.6	\$ 3,171.5	\$ 3,134.6
Service revenues	\$ 2,872.8	\$ 2,988.9	\$ 2,954.3
Operating income	\$ 979.2	\$ 1,138.6	\$ 1,152.8
Total assets	\$ 9,145.4	\$ 8,009.3	\$ 8,155.5

Windstream's subsidiaries provide facilities-based services in primarily rural areas in 16 states. As of December 31, 2009, Windstream provided communication services to customers located in Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, Missouri, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina and Texas.

In addition, certain of Windstream's subsidiaries serve as a competitive service provider in four states on both a facilities-based and resale basis, and, where necessary, have negotiated interconnection agreements with the appropriate incumbent local exchange carriers. Windstream's strategy is to provide voice and data service in combination with other services provided by subsidiaries of Windstream, including long distance and high-speed Internet services. Windstream's primary focus for marketing and selling these competitive services is directed toward business customers through the offering of competitively priced and reliable services.

#### PRODUCTS AND OFFERINGS

Voice services consist of traditional telephone services provided from telephone exchange offices to customer premises of both residential and business customers. Voice revenues include monthly recurring charges for basic services such as local dial-tone, and enhanced services that include call waiting, call forwarding, caller identification, three-way calling, no-answer transfer, voicemail, and other enhanced services.

Long distance services are offered through wholesale arrangements with various interexchange carriers and include switched interstate, intrastate, and international long distance as well as operator services. These services are primarily marketed as flat-rate calling plans or part of product bundles, which may include voice, high-speed Internet, long distance and video. Long distance plans that bill on a per minute basis are also offered.

Data and special access services primarily consist of retail high-speed Internet services and the provision of special access dedicated circuits. We provide high-speed Internet access using digital subscriber line technology for a monthly fee. Windstream's Greenstreak product offers high-speed Internet along with measured local phone service that allows unlimited incoming calls, 911 access, and outgoing local calls for 10 cents a minute. Windstream's Internet Security Suite offers a comprehensive service package that stops viruses, blocks spyware, prevents hacking, improves PC health, secures user identity and protects children from objectionable web sites. We also provide Internet access services to dial up Internet subscribers and data transmission services over special circuits, Ethernet based access and private lines. The Company's Internet access services also enable customers to establish an e-mail account and to send and receive e-mail. In addition, we offer enhanced Internet services to our business customers, which include obtaining Internet protocol addresses, web site design and hosting.

Special access services provide business and wholesale customers dedicated point-to-point switching arrangements for voice and data traffic, and allows constant use at maximum capacity.

Switched access and interconnection services are provided by Windstream by connecting the equipment and facilities of its customers to the communications networks of long distance carriers, other competitive local service providers and wireless carriers. These companies pay access and network usage charges to Windstream's local exchange subsidiaries for the use of their local networks to originate and terminate their voice and data transmissions.

Miscellaneous service revenues primarily consist of charges for service fees, rentals and billing and collections services. Miscellaneous revenues also include commissions from activating digital satellite television service through our relationship with DISH Network LLC. These services are offered to virtually all households in our service areas.

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

through a co-branded DISH Network satellite television agreement. In addition, Windstream provides cable television service to approximately 49,000 customers in Georgia, Missouri, North Carolina and Pennsylvania. The cable television properties are not significant to Windstream's wireline operating results.

Product sales represent equipment sales to customers, including computer sales to residential high-speed Internet customers, Internet modems and customer premise equipment.

#### **MARKETING**

At Windstream, our marketing approach is simple. Our mission, vision and values are what guide us as we remain focused on serving the communities of rural America. We offer fresh, innovative thinking and embrace new technology. As a brand, we are neighborly, dynamic and provide simplicity in our products and services. What's more, we strive to deliver it all through teamwork that is responsive, enthusiastic, accountable and motivated to serve our customers. We market our products through multiple channels, including customer service representatives and technicians, local retail stores, e-commerce, and telemarketing, supported by direct mail, mass media advertising (newspaper, television, and radio), bill inserts, community events and click through advertising on targeted websites. We continue to exercise door-to-door sales techniques and partnerships with agents to reach customers on a local and one-on-one basis.

Windstream operates 55 local retail stores and two call centers focused on selling and servicing our customers. Both sales channels offer an excellent opportunity to connect with our customers by providing superior customer service in person or over the phone. Direct calls are made to business customers in order to accommodate their specific needs and to improve their way of conducting business in the most efficient way possible. Our customer service and sales representatives earn incentives to promote sales of services that meet the distinctive needs of our customers, while our technicians survey customer premises to assess building requirements and coordinate delivery, installation and testing of equipment.

Our marketing goal for residential and small business customers is to win new customers while selling additional communication services to existing customers. Our message consistently emphasizes our competitively priced product bundles that integrate voice, data and entertainment services onto one easy to understand bill.

Our large business and enterprise customer marketing approach focuses on end-to-end customer communications solutions. Our direct sales force calls on prospective and existing business customers to provide a reliable and complete communications solution that best fits the needs of our customers based on our communications knowledge and the information we gain about the customers' needs. In addition, we operate a separate call center focused on servicing and selling additional products and services that meet the unique needs of our business customers.

#### **TECHNOLOGY**

Our network consists of host and remote central office digital switches and loop carriers interconnected with copper, microwaved and fiber facilities. The outside plant infrastructure connecting the customer with the core network consists of a mix of fiber optic and copper facilities. At the end of 2009, we maintained over 241,600 route miles of copper plant and approximately 26,000 route miles of local and long-haul fiber optic plant. In addition, our fully integrated communications network consists of IP routers, Ethernet switches, Asynchronous Transport Mode (ATM) switches and frame relay switches capable of handling voice, data and dedicated circuits.

#### **COMPETITION**

Windstream experiences competition in many of its local service areas. Sources of competition to Windstream's local exchange business include, but are not limited to, wireless communications providers, cable television companies, resellers of local exchange services, interexchange carriers, incumbent local exchange carriers in markets where we provide competitive local exchange services, satellite transmission service providers, electric utilities, competitive access service providers, including, without limitation, those utilizing an Unbundled Network Elements-Platform or UNE-P, voice-over-Internet protocol ("VoIP") providers, and providers using other emerging technologies resellers. In addition, we are subject to increased competition from new and existing competitors receiving financial incentives through the federal broadband stimulus program (See Federal Regulation).

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

During 2009, this competition adversely affected Windstream's access line losses and revenue growth rates. Excluding the lines acquired from D&E and Lexcom, Windstream lost approximately 143,000 access lines in its wireline business during 2009, primarily as a result of the effects of fixed line competition and wireless substitution for Windstream's wireline services. Windstream expects the number of access lines served by its wireline operations to continue to be adversely affected by fixed line competition and wireless substitution in 2010.

To address competition, Windstream remains focused on providing improved customer service, increasing operating efficiencies and improving the quality of its network. In an effort to further develop enhanced services and bundled product offerings, the Company will continue to invest in its network to offer faster speeds in its high-speed Internet offerings. As of December 31, 2009, the Company could deliver speeds of 3Mb to 96 percent of its addressable lines. Additionally, speeds of 6Mb and 12Mb are available to 65 percent and 34 percent of its high-speed Internet addressable lines, respectively.

During 2009, excluding acquisitions of D&E and Lexcom, the Company added approximately 99,000 high-speed Internet customers. As of December 31, 2009 the company had over 1,132,000 total high-speed Internet customers, which represents a penetration rate of 37 percent of total access lines in service, and 55 percent of residential access lines in service.

Although high-speed Internet services have been a source of revenue and customer growth for Windstream, that service offering experiences competition primarily from cable competitors. In addition, we could experience some increased competition from high-speed Internet offerings of wireless competitors.

#### **SEASONALITY**

Our business is not subject to significant seasonal fluctuations.

#### **REGULATION**

Our incumbent local exchange carrier subsidiaries (collectively the "ILECs") are regulated by both federal and state agencies. Our interstate products and services and the related earnings are subject to federal regulation by the Federal Communications Commission ("FCC") and our local and intrastate products and services and the related earnings are subject to regulation by state Public Service Commissions ("PSCs"). The FCC has principal jurisdiction over matters including, but not limited to, interstate switched and special access rates, as well as high-speed Internet service offerings. It also regulates the rates that ILECs may charge for the use of their local networks in originating or terminating interstate and international transmissions. The PSCs have jurisdiction over matters including local service rates, intrastate access rates, quality of service, the disposition of public utility property and the issuance of securities or debt by the local operating companies. As a regulated entity, the Company is required to comply with various federal and state regulations.

Communications services providers are regulated differently depending primarily upon the network technology used to deliver the service. This patchwork regulatory approach advantages certain companies and disadvantages others. It impedes market-based competition where service providers using different technologies exchange telecommunications traffic and compete for customers.

From time to time federal legislation is introduced dealing with various matters that could affect our business. Most proposed legislation of this type never becomes law. It is difficult to predict what kind of reform efforts, if any, may be introduced in Congress and ultimately become law. Windstream strongly supports the modernization of the nation's telecommunications laws, but at this time, cannot predict the timing and the resulting financial impact of any possible federal legislative efforts.

#### **FEDERAL REGULATION**

On February 17, 2009, the American Recovery and Reinvestment Bill of 2009 was signed into law that includes various financial incentives to qualifying entities for the expansion of broadband services in both unserved and underserved communities throughout the nation. The legislation allocates approximately \$7.0 billion for the expansion

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

of both wired and wireless broadband services. The Company elected not to participate in the application process for the first round of stimulus funding, which was released during 2009. After a careful review of the program rules, the Company determined that the rules applicable to the first round of funding did not allow for a sound and sustainable business case. The Company is currently reviewing the rules applicable to the second round of funding and evaluating whether it should participate in the application process.

#### **Price-Cap Petition Granted by FCC**

Effective July 1, 2008, the Company converted the majority of its remaining interstate rate-of-return regulated operations to price-cap regulation. Price-cap regulation better aligns the Company's continued efforts to improve its cost structure, because rates for interstate wholesale services are not required to be periodically adjusted based on the Company's cost structure, and under price-cap regulation, high-speed Internet services can be deregulated. Prior to the conversion, with the exception of our Nebraska and New Mexico operations, and a portion of our Kentucky, Oklahoma and Texas operations, our interstate ILEC operations were subject to rate-of-return regulation by the FCC.

#### **Inter-carrier Compensation**

The Company's local exchange subsidiaries currently receive compensation from other telecommunications providers, including long distance companies, for origination and termination of interexchange traffic through network access charges that are established in accordance with state and federal laws.

In April 2001, the FCC released a notice of proposed rulemaking addressing inter-carrier compensation. Under this rulemaking, the FCC proposed a "bill and keep" compensation methodology under which each telecommunications carrier would be required to recover all of its costs to originate and terminate telecommunications traffic from its end-user customers rather than charging other carriers. The proposed "bill and keep" method would significantly overhaul the existing rules governing inter-carrier compensation. On March 3, 2005, the FCC released a further notice of proposed rulemaking addressing inter-carrier compensation. Under this proposed rulemaking, the FCC requested comment on several alternative inter-carrier compensation proposals, including "bill and keep."

On November 5, 2008, the FCC issued a further notice of proposed rulemaking ("FNPRM") that sought comment on proposals that would change the rules governing inter-carrier compensation. Proposals considered by the FNPRM would significantly reduce inter-carrier compensation revenues over a ten-year period, classify VoIP/public switch telephone network ("PSTN") traffic as an "information service," and adopt measures to ensure proper billing of "phantom traffic". Windstream strongly supports regulatory reform, but with the exception of the phantom traffic reforms, Windstream is opposed to the inter-carrier compensation proposals under consideration by the FNPRM. We have submitted an alternative proposal that includes a measured reduction in access rates, increases in subscriber line charges, and additional federal universal service support.

The FCC has received other proposals to reform inter-carrier compensation mechanisms. If the Commission acts, the outcome is likely to change the way the Company receives compensation from, and remits compensation to, other carriers and its end-user customers, as well as the federal universal service fund. Until these proceedings conclude and any changes to the existing rules are established, the Company cannot estimate the impact of any changes on its ILEC revenues or expenses or when such changes would occur.

#### **Universal Service**

During 2009, Windstream received \$124.3 million in federal universal service support. The federal universal service program is designed to provide affordable telecommunications services to customers that live in high-cost rural areas, low-income consumers, rural health care providers, and schools and libraries. This program is currently under legislative, regulatory and industry scrutiny as a result of the growth in the fund and structural changes within the telecommunications industry. The primary structural change is the increase in the number of Eligible Telecommunications Carriers ("ETCs") receiving money from the Universal Service Fund ("USF"). There are several FCC proceedings underway that are likely to change the way the universal service programs are funded and the way universal service funds are disbursed to program recipients. The specific proceedings are discussed below.

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### **Windstream Corporation Form 10-K, Part I**

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On May 1, 2008, the FCC released an order adopting an interim, emergency cap on the amount of high-cost support that competitive ETCs may receive. Competitive ETC support will be capped in each state at the amount competitive ETCs were eligible to receive in such state during March 2008 on an annualized basis. The Company's high-cost support was not affected by the FCC's order.

On November 5, 2008, the FCC issued a FNPRM seeking comment on proposals that would cap high-cost receipts based on the support each carrier is eligible to receive at December 2008 levels on an annualized basis. To continue receiving this support, high-cost recipients would have to certify that they would deploy specified high-speed Internet services throughout their supported areas over a five-year period. Areas for which high-cost recipients decline to make such certification would be subject to a reverse auction. The reserve price for the auction would be the amount the ILEC would be entitled to receive if it would have agreed to deploy high-speed Internet services throughout its service area. Bidders would need to be certified as an ETC by the respective state commission. The winning bidder would accept all carrier of last resort obligations. If the auction produced no winner, the area subject to the auction would be deemed a truly high-cost area and the FCC would determine what further actions would need to be taken to ensure the study area is served by a company willing to meet the broadband commitment and carrier of last resort requirements.

Proposals under consideration by the FNPRM also would eliminate the identical support rule, which allows competitive ETCs to receive the same per line support as the ILEC. Competitive ETCs, instead, would be required to file cost information to qualify for high-cost support.

In addition, the proposals under consideration would base the federal universal service contribution methodology on residential telephone numbers and business revenues. The FCC then would seek comment on whether it should begin using business connections, rather than revenues, to determine contributions from providers of business services. Without more specificity regarding the likely outcome of the proceeding, we cannot provide a meaningful estimate of the impact a change in carrier contribution obligations would have on our operations.

The FCC mandated that, effective October 1, 2004, the Universal Service Administrative Company ("USAC") would begin accounting for the USF program in accordance with generally accepted accounting principles for federal agencies, rather than the accounting rules that USAC formerly used. This accounting method change subjected USAC to the Anti-Deficiency Act ("ADA"), the effect of which could have caused delays in payments to USF program recipients and significantly increased the amount of USF regulatory fees charged to consumers. In April 2005, the FCC tentatively concluded that the high-cost and low-income universal service programs of the universal service fund were compliant with ADA requirements, and asked the Office of Management and Budget ("OMB") to make a final determination on this issue, which has not yet occurred. In September 2008, Congress passed legislation to exempt the USF from ADA requirements until March 6, 2009.

#### **High-Speed Internet Services**

On March 15, 2002, the FCC issued a declaratory ruling concluding that cable modem service was an interstate "information service," rather than a cable service or a telecommunications service. This ruling was upheld by the United States Supreme Court. In addition, on September 23, 2005, the FCC released an order declaring Digital Subscriber Line ("DSL") offerings, as well as other high-speed Internet access services offered over wireline technologies, "information services" functionally integrated with a telecommunications component and no longer subject to a higher level of regulation as compared to cable modem service. The order further provides price cap companies the option to deregulate high-speed Internet and rate-of-return companies the option to de-tariff high-speed Internet. The Company elected to deregulate its high-speed Internet services in its price cap properties effective October 2006 for companies subject to price cap regulation at that time, and effective July 2008 for companies affected by the price cap conversion in 2008. Consequently the Company now benefits from the decreased regulation of its high-speed Internet services, providing the Company with additional retail pricing flexibility and relief from federal universal service fund contributions.

On November 20, 2007, the FCC released a Notice of Proposed Rule Making ("NPRM"), which tentatively concluded that all high-speed Internet providers should pay the same pole attachment rate for all attachments used for high-speed Internet services. Windstream pays approximately \$28.0 million annually to rent space on utility poles it does not own. The NPRM suggests that this rate should be higher than the current cable rate but no greater than the current rate paid

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

by competitive local exchange carriers. If the NPRM's tentative conclusion is adopted, Windstream would likely see a reduction in the amounts that it pays to rent space on utility poles it does not own and would be able to better compete with other companies offering high-speed Internet services.

As part of the American Recovery and Reinvestment Act ("ARRA"), Congress directed the FCC to report to Congress by mid-February 2010 with a National Broadband Plan. As part of the Plan, it is expected that the FCC will consider a myriad of issues related to high-speed Internet access deployment and adoption and, among other things, may consider universal service and intercarrier compensation reform. On December 7, 2009, Windstream, CenturyTel, Inc. ("CenturyLink"), Frontier Communications Corporation, Consolidated Communications Holding, Inc. and Iowa Telecom filed a plan with the FCC to reform the intercarrier compensation and universal service mechanisms and further deploy broadband in unserved areas. If adopted, the proposal would stabilize intercarrier compensation and universal support and provide additional funds to Windstream to assist with the deployment of broadband services to rural areas.

#### **Communications Assistance for Law Enforcement Act**

In 1994, Congress enacted the Communications Assistance for Law Enforcement Act ("CALEA") to preserve the ability of law enforcement officials to conduct electronic surveillance effectively and efficiently in the face of rapid advances in telecommunications technology. The FCC has adopted rules that implement the requirements set forth in CALEA. Under CALEA, the Company is required to provide law enforcement officials with call content and call identifying information upon receipt of a valid electronic surveillance warrant. The Company is compliant in all material respects with all CALEA requirements.

#### **Customer Proprietary Network Information**

Customer Proprietary Network Information ("CPNI") includes information such as the phone numbers dialed, frequency of calls, duration of calls and retail services purchased by a customer. The Telecommunications Act of 1996 requires service providers to ensure the confidentiality of CPNI and provides that CPNI may be used, disclosed or shared only if required by law, the customer has given consent, or CPNI is necessary for the provision of services from which CPNI was derived. The FCC has implemented rules that require service providers to establish safeguards to prevent the unauthorized disclosure of CPNI.

On April 2, 2007, the FCC released an order and further notice of proposed rulemaking to alter the requirements to safeguard customers' CPNI. The order prohibits carriers from disclosing call detail information based on customer-initiated telephone contact except when the customer provides a password or, if the customer does not provide a password, the carrier may only disclose the requested call detail records by sending them to the customer's address of record. The order further requires carriers to obtain explicit consent from customers when releasing CPNI to third parties for the purposes of marketing retail services to that customer. The order also establishes a notification process for law enforcement and customers in the event of a CPNI breach, requires that carriers provide notice to customers immediately following certain account changes and requires carriers to file annual certifications of CPNI compliance with the FCC. Some parties have filed petitions for reconsideration with the FCC asserting that, in enforcement proceedings, the order improperly shifts the burden of proof from the FCC to the carriers. These rules became effective during the fourth quarter of 2007.

#### **Other Federal Regulations**

On September 6, 2008, the FCC released an NPRM tentatively concluding that the agency should require all facilities-based providers of broadband and/or telecommunications to collect and produce infrastructure, service quality, and customer satisfaction data that previously were required only from a subset of ILECs. Expanding the data collection as proposed could require Windstream to devote new resources to gathering data and producing reports. But without more specificity regarding the likely outcome of the proceeding, we cannot provide an estimate of the financial impact of a change in our data collection and reporting obligations.

On July 26, 2007, the Company received an inquiry from the FCC's Enforcement Bureau questioning certain details surrounding the Company's compliance with FCC reporting requirements related to network outages. On May 12, 2009, the Company entered into a consent decree with the FCC that resolved all outstanding issues on this matter.

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

##### **STATE REGULATION**

###### **Local and Intrastate Rate Regulation**

Most states in which our ILEC subsidiaries operate provide alternatives to rate-of-return regulation for local and intrastate services, either by law or PSC rules. We have elected alternative regulation for our ILEC subsidiaries in all states except New York. We continue to evaluate alternative regulation options in New York where our ILEC subsidiary remains subject to rate-of-return regulation.

###### **Inter-carrier Compensation**

On October 5, 2007, Verizon filed a complaint with the Ohio Public Utility Commission ("PUC") alleging that the Company's intrastate access rates are excessive and should be reduced to the same levels charged by the largest ILECs in Ohio, or in the alternative, to the Company's interstate access rate levels. If the Ohio PUC were to grant Verizon's request and require the Company to implement the large ILEC rate structure, the Company would incur a reduction in annual revenues of up to \$7.6 million. This estimate assumes the Company would be allowed to implement retail rate increases simultaneously with the access rate reductions similar to the plan adopted by the PUC for the larger Ohio ILEC access rate reductions. The Ohio PUC has not acted upon requests by other parties for the Company and other similar sized ILECs in Ohio to reduce their intrastate access rates.

On December 5, 2007 and February 22, 2008, Verizon filed complaints with the Kentucky PSC and the Georgia PSC very similar to the complaint filed in Ohio. In these cases, Verizon also alleges that the Company's intrastate access rates are excessive and should be reduced to the level currently charged by AT&T (formerly BellSouth).

The Company requested that the Ohio PUC, the Kentucky PSC and the Georgia PSC deny Verizon's requested relief based in part on the fact that the Company's intrastate access rates are just and reasonable and on the current efforts to reform inter-carrier compensation comprehensively at the federal level, as previously explained.

On March 19, 2009, AT&T filed a complaint with the Pennsylvania PUC alleging that the Company's intrastate access rates are not just and reasonable and should be reduced to the Company's interstate access rate levels.

On November 23, 2009, Sprint requested that the North Carolina Utilities Commission reduce the Company's access rates to a cost-basis or, in the alternative, to the Company's interstate access rate levels.

The Company will request that the Pennsylvania PUC and the North Carolina Utilities Commission deny AT&T's and Sprint's requested relief based in part on the fact that the Company's intrastate access rates are just and reasonable and on the current efforts to reform inter-carrier compensation comprehensively at the federal level, as previously explained.

At this time, the Company cannot estimate the financial impact of any PSC decision due to the various options the PSC could consider if it ruled in Complainant's favor.

###### **Universal Service**

We recognize revenue from state universal service funds in a limited number of states in which we operate. In 2009, Windstream recognized \$131.1 million in state universal service revenue. These payments are intended to provide additional support, beyond the federal universal service receipts, for the high cost of operating in rural markets. For the year ended December 31, 2009, Windstream received approximately \$97.8 million from the Texas USF. There are two high-cost programs of the Texas USF, one for large companies and another for small companies. In 2009, Windstream received \$85.5 million from the large company program and \$12.3 million from the small company program. The purpose of the Texas USF is to assist telecommunications providers in providing basic local telecommunications services at reasonable rates to customers in high cost rural areas and to qualifying low-income and disabled customers. By order of the Texas PUC, the Texas USF distributes support to eligible carriers serving areas identified as high cost, on a per-line basis. Texas USF support payments are based on the number of actual lines in service and therefore are subject to reductions when customers discontinue service or migrate to a competitive carrier. All customers of telecommunications services in Texas contribute to the Texas USF through the payment of a monthly surcharge by their customers.

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

The Pennsylvania PUC is currently conducting a review of its universal service fund. The review is focused on various aspects of the fund as they pertain to the basic rates of eligible USF recipient companies and the impact of their alternative regulation plans. The Company receives \$13.3 million annually from the fund. The Company cannot estimate at this time the financial impact that would result from the changes, if any, to the Pennsylvania universal service fund.

In June 2006, the D&E subsidiaries made a filing to increase their local rates in accordance with their alternative regulation plans. Under the plans, local rates would have exceeded a prescribed local rate cap of \$18.00. The D&E subsidiaries sought to recover the revenues that exceeded the rate cap by increasing intrastate switched access rates. On July 11, 2007, the Pennsylvania PUC allowed the local rate increases to go into effect, but denied the proposed increases in switched access rates. The D&E subsidiaries filed a petition for reconsideration, asking in the alternative, to be permitted to recover revenues in excess of the local rate cap from the Pennsylvania universal service fund. On November 29, 2007, the Pennsylvania PUC approved the local rate increases and allowed the D&E subsidiaries to exceed the rate cap, but denied the request for increases in state universal service support. On May 9, 2008, the D&E subsidiaries filed an appeal in the Commonwealth Court seeking to reverse the above decisions. On December 15, 2009, the Commonwealth Court issued an order affirming the Pennsylvania PUC's decision. The Court's decision did not have a material impact on the Company's operations and we do not plan to appeal.

#### **Other Regulations**

Under applicable state regulations, some of our subsidiaries are required to obtain the applicable state commission approval for, or are subject to limitations on, any issuance of stock, incurrence of long-term debt, payment of dividends, acquisition or sale of material utility asset or any change in control of these subsidiaries or their parent companies. None of these limitations have had any material impact on the Company.

Additionally, if we seek to acquire control of other local exchange carriers, Windstream could be required to obtain the approval of PSCs in the states where the target companies have operations, and such approvals could be conditioned on Windstream agreeing to restrictions on its operations to which it would not otherwise be subject. Examples of conditions of approval include restrictions on the amount of Windstream's indebtedness, its dividend practice, or requirements to meet specific service levels or technology deployments.

#### **DIRECTORY PUBLISHING SEGMENT**

On November 30, 2007, Windstream completed the split off of its directory publishing business. Effective with the completion of the split off of its directory publishing business as discussed above in "Material Dispositions Completed During the Last Five Years", the Company's publishing services have ceased.

The following table is a summary of directory publishing operations for the years ended December 31:

Directory Publishing Segment	2009	2008	2007
Total revenues from external customers	\$ -	\$ -	\$ 111.3
Segment income	\$ -	\$ -	\$ 5.3
Total assets	\$ -	\$ -	\$ 85.7

#### **FORWARD-LOOKING STATEMENTS**

Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for this annual report on Form 10-K. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward looking statements include, but are not limited to, statements about expected levels of support from universal service funds or other government programs, expected rates of loss of access lines or intercarrier compensation, our expected ability to fund operations from cash flows from operations, our expectation of no pension contribution in 2010, expected synergies and other benefits from completed and pending acquisitions, expected effective federal income tax rates and forecasted capital expenditure amounts. These and other forward-looking statements are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1. Business**

Factors that could cause actual results to differ materially from those contemplated in our forward looking statements include, among others:

- further adverse changes in economic conditions in the markets served by Windstream;
- the extent, timing and overall effects of competition in the communications business;
- continued access line loss;
- the impact of new, emerging or competing technologies;
- the adoption of inter-carrier compensation and/or universal service reform proposals by the Federal Communications Commission or Congress that results in a significant loss of revenue to Windstream;
- the risks associated with the integration of acquired businesses or the ability to realize anticipated synergies, cost savings and growth opportunities;
- unexpected adverse results related to our data center migration;
- for our competitive local exchange carrier ("CLEC") operations, adverse effects on the availability, quality of service and price of facilities and services provided by other incumbent local exchange carriers on which our CLEC services depend;
- the availability and cost of financing in the corporate debt markets;
- the potential for adverse changes in the ratings given to Windstream's debt securities by nationally accredited ratings organizations;
- the effects of federal and state legislation, and rules and regulations governing the communications industry;
- material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- unexpected results of litigation;
- unexpected rulings by state public service commissions in proceedings regarding universal service funds, inter-carrier compensation or other matters that could reduce revenues or increase expenses;
- the effects of work stoppages;
- the impact of equipment failure, natural disasters or terrorist acts;
- earnings on pension plan investments significantly below our expected long term rate of return for plan assets;
- and those additional factors under the caption "Risk Factors" in Item 1A of this annual report.

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream's actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream's future results included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report and in other filings by Windstream with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1A. Risk Factors**

##### **Risks Relating to Windstream's Business**

*We face intense competition in our businesses from many sources that could reduce our market share or adversely affect our financial performance.*

Substantial and increasing competition exists in the wireline communications industry. Our ILEC operations have experienced, and will continue to experience, competition in their local service areas. Sources of competition to our local service business include, but are not limited to, wireless communications providers, cable television companies, resellers of local exchange services, interexchange carriers, satellite transmission service providers, electric utilities, competitive access service providers, including, without limitation, those utilizing an Unbundled Network Elements-Platform or UNE-P, VoIP providers, and providers using other emerging technologies.

Many of Windstream's current and potential competitors (a) have substantially larger operational and financial resources, (b) own larger and more diverse networks, (c) are subject to less regulation and (d) have superior brand recognition.

Competition could adversely affect us in several ways, including (1) the loss of customers and resulting revenue and market share, (2) the possibility of customers reducing their usage of our services or shifting to less profitable services, (3) our need to lower prices or increase marketing expenses to remain competitive and (4) our inability to diversify by successfully offering new products or services.

*We may not be able to compete successfully with cable operators that are subject to less stringent industry regulations.*

We face competition from cable television companies providing voice service offerings. Voice offerings of cable operators are offered mainly under Competitive Local Exchange Carrier certificates obtained in states where they offer services and therefore are subject to fewer service quality or service reporting requirements than our ILEC operations. In addition, the rates or prices of the voice service offerings of cable companies are not subject to regulation. In contrast, our voice service rates or prices, in our capacity as an ILEC, are subject to regulation by various state public service commissions. Unlike cable operators, our ILEC operations are also subject to "carrier of last resort" obligations, which generally obligates us to provide basic voice services to any person regardless of the profitability of such customer. As a result of these disadvantages, we may not be able to compete successfully with cable companies in the offering of voice services.

*Funding from the federal broadband stimulus program could result in increased competition, which could adversely affect our operating results and financial performance.*

The federal broadband stimulus program is providing approximately \$7.0 billion in financial incentives to companies for the purpose of expanding broadband service in unserved or underserved markets. Financial incentives paid to new or existing competitors could incentivize them to enter markets where Windstream is already providing broadband service. This could result in increased competition and the loss of customers, negatively impacting our operating results and financial performance.

*Competition from wireless carriers is likely to continue to cause access line losses, which could adversely affect our operating results and financial performance.*

Wireless competition has contributed to a reduction in our access lines, and generally has caused pricing pressure in the industry. As wireless carriers continue to expand and improve their network coverage while lowering their prices, some customers choose to stop using traditional wireline phone service and instead rely solely on wireless service. We anticipate that this trend toward solely using wireless services will continue, particularly if wireless prices continue to decline and the quality of wireless services improves. In the future, it is expected that the number of access lines served by us will continue to be adversely affected by wireless substitution and that industry-wide pricing pressure will continue. We may not be able to compete successfully with these wireless carriers.

*We could be harmed by rapid changes in technology.*

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and wireless communications. Rapid technological developments in wireless, personal communications

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1A. Risk Factors**

services, digital microwave, satellite, high-speed Internet radio services, local multipoint distribution services, meshed wireless fidelity, or WiFi, and other technologies could result in the development of products or services that compete with or displace those offered by traditional local exchange carriers ("LECs"). For example, there is a risk that cable operators may be able to deploy broadband service at higher speeds using data-over-cable-service-interface specification, or DOCSIS, more rapidly than Windstream. In addition, wireless companies are developing networks using long-term evolution (or LTE) and Worldwide Interoperability for Microwave Access (or WIMAX), that purport to support greater data transmission speeds over wireless networks.

These new and evolving technologies could result in greater competition and product substitution for Windstream's high-speed Internet services. Furthermore, the proliferation of replacement technologies impacting our wireline business could require us to make significant additional capital investment in order to compete with other service providers that may enjoy network advantages that will enable them to provide services more efficiently or at a lower cost. Alternatively, we may not be able to obtain timely access to new technology on satisfactory terms or incorporate new technology into our systems in a cost effective manner, or at all. If we cannot develop new services and products to keep pace with technological advances, or if such services and products are not widely embraced by our customers, our results of operations could be adversely impacted.

*We provide services to our customers over access lines, and if we continue to lose access lines like we have historically, our revenues, earnings and cash flows from operations could be adversely affected.*

Our business generates revenue by delivering voice and data services over access lines. We have experienced net access line loss over the past few years. During 2009, excluding the impact of the D&E and Lexcom acquisitions, the number of access lines we served declined by approximately 4.8 percent due to a number of factors, including increased competition and wireless and high-speed Internet substitution. We expect to continue to experience net access line loss in our markets. Our inability to retain access lines could adversely affect our revenues, earnings and cash flow from operations.

*We are subject to various forms of regulation from the Federal Communications Commission ("FCC") and state regulatory commissions in the 16 states in which we operate, which limits our pricing flexibility for regulated voice and high-speed Internet products, subjects us to service quality, service reporting and other obligations, and exposes us to the reduction of revenue from changes to the universal service fund or the inter-carrier compensation system.*

As a provider of wireline communication services, we have operating authority from each of the 16 states in which we conduct local service operations, and we are subject to various forms of regulation from the regulatory commissions in each of these 16 states as well as from the FCC. State regulatory commissions have jurisdiction over local and intrastate services including, to some extent, the rates that we charge customers and other telecommunications companies, and service quality standards. The FCC has primary jurisdiction over interstate services including the rates that we charge other telecommunications companies that use our network and other issues related to interstate service. These regulations restrict our ability to adjust rates to reflect market conditions and affect our ability to compete and respond to changing industry conditions.

Future revenues, costs, and capital investment in our wireline business could be adversely affected by material changes to these regulations, including, but not limited to, changes in rules governing inter-carrier compensation, state and federal USF support, UNE and UNE-P pricing and requirements, and VoIP regulation. Federal and state communications laws may be amended in the future, and other laws may affect our business. In addition, certain laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment or the impact such developments or changes would have.

In addition, these regulations could create significant compliance costs for us. Delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and conditions imposed in connection with such approvals could adversely affect the rates that we are able to charge our customers. Our business also may be affected by legislation and regulation imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, or addressing other issues that impact our business. For example, existing provisions of the Communications Assistance for Law Enforcement Act require

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1A. Risk Factors**

communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance. Our compliance costs could increase if future legislation, regulations or orders continue to increase our obligations.

*Changes to regulations could materially reduce the Company's revenues from inter-carrier compensation.*

The Company's local exchange subsidiaries currently receive compensation from other telecommunications providers, including long distance companies, for origination and termination of interexchange traffic through network access charges that are established in accordance with state and federal laws. In 2009 the Company recognized \$274.4 million in inter-carrier compensation, a 12.1 percent reduction from 2008 levels. This reduction in inter-carrier compensation revenue is primarily due to decreases in minutes of use associated with access line losses resulting from wireless and cable voice competition, efforts by carriers to mask traffic to avail their traffic of lower inter-carrier compensation rates and carriers alleging that their traffic is not subject to existing intercarrier compensation rules as a result of the technology being used to deliver the traffic. Absent any changes to existing inter-carrier compensation regulations, the Company expects inter-carrier revenues to continue to be unfavorably impacted by these trends in 2010.

On November 5, 2008, the FCC issued a further notice of proposed rulemaking ("FNPRM") that sought comment on proposals that would change the rules governing inter-carrier compensation (see "Item I, Business, Regulation – Inter-carrier Compensation"). Proposals considered by the FNPRM would significantly reduce inter-carrier compensation revenues over a ten-year period, classify VoIP/PSTN traffic as an "information service," and adopt measures to ensure proper billing of "phantom traffic". Adoption of the FCC's proposed plan could materially reduce the Company's inter-carrier compensation revenue. We do not know whether the FCC's proposed plan, or a substantially similar plan, will be adopted.

*In 2009, we received approximately 7 percent of our revenues from state and federal Universal Service Funds, and any adverse regulatory developments with respect to these funds could adversely affect our profitability.*

We receive state and federal USF revenues to support the high cost of providing affordable telecommunications services in rural markets. Such support payments constituted approximately 7 percent of our revenues for the year ended December 31, 2009. A portion of such fees are based on relative cost and access line counts, and we expect receipt of such fees to decline as we continue to reduce costs and lose access lines. Pending regulatory proceedings could, depending on the outcome, materially reduce our USF revenues.

In addition, the FCC is currently conducting a rulemaking proceeding to consider changes to the rules governing inter-carrier compensation. Windstream strongly supports regulatory reform. At this time, Windstream cannot predict the ultimate outcome of these proceedings or the impact on its revenues and expenses.

We are required to make contributions to state and federal USF programs each year. Current state and federal regulations allow us to recover these contributions by including a surcharge on our customers' bills. If state and/or federal regulations change, and we become ineligible to receive support, such support is reduced, or we become unable to recover the amounts we contribute to the state and federal USF programs from our customers, our earnings and cash flows from operations would be directly and adversely affected.

*Windstream's substantial debt could adversely affect our cash flow and impair our ability to raise additional capital on favorable terms.*

As of December 31, 2009, we had approximately \$6.3 billion in long-term debt outstanding. We may also obtain additional long-term debt to meet future financing needs or to fund potential acquisitions, subject to certain restrictions under our existing indebtedness, which would increase our total debt. Our substantial amount of debt could have negative consequences to our business. For example, it could:

- Increase our vulnerability to general adverse economic and industry conditions;
- Require us to dedicate a substantial portion of cash flows from operations to interest and principal payments on outstanding debt, thereby limiting the availability of cash flow to fund future capital expenditures, working capital and other general corporate requirements;

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### Windstream Corporation Form 10-K, Part I

#### Item 1A. Risk Factors

- Limit our flexibility in planning for, or reacting to, changes in our business and the telecommunications industry;
- Place us at a competitive disadvantage compared with competitors that have less debt; and
- Limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

In addition, our ability to borrow funds in the future will depend in part on the satisfaction of the covenants in our credit facilities and its other debt agreements. If we are unable to satisfy the financial covenants contained in those agreements, or are unable to generate cash sufficient to make required debt payments, the lenders and other parties to those arrangements could accelerate the maturity of some or all of our outstanding indebtedness.

We may not generate sufficient cash flows from operations, or have future borrowings available under our credit facilities or from other sources sufficient to enable us to make our debt payments or to fund dividends and other liquidity needs. We may not be able to refinance any of our debt, including our credit facilities, on commercially reasonable terms or at all. If we are unable to make payments or refinance our debt, or obtain new financing under these circumstances, we would have to consider other options, such as selling assets, issuing additional equity or debt, or negotiating with our lenders to restructure the applicable debt. Our credit agreement and the indentures governing our senior notes may restrict, or market or business conditions may limit, our ability to do some of these things on favorable terms or at all.

As of February 23, 2010, Moody's Investors Service ("Moody's"), Standard & Poor's Corporation ("S&P") and Fitch Ratings ("Fitch") had granted Windstream the following senior secured, senior unsecured and corporate credit ratings:

Description	Moody's	S&P	Fitch
Senior secured credit rating	Baa3	BB+	BBB-
Senior unsecured credit rating	Ba3	B+	BB+
Corporate credit rating	Ba2	BB-	BB+
Outlook	Stable	Stable	Negative

Factors that could affect Windstream's short and long-term credit ratings would include, but are not limited to, a material decline in the Company's operating results, increased debt levels relative to operating cash flows resulting from future acquisitions, increased capital expenditure requirements, or changes to our dividend policy. If Windstream's credit ratings were to be downgraded from current levels, the Company may incur higher interest costs on future borrowings, and the Company's access to the public capital markets could be adversely affected.

*Windstream may be unable to fully realize expected synergies in connection with various recent transactions.*

In addition to the recently completed acquisitions of D&E, Lexcom and NuVox, the Company has entered into a definitive agreement to acquire Iowa Telecom. For more information on these transactions, see "Item 1 – Pending Acquisitions and Material Acquisitions Completed During The Last Five Years".

Windstream expects to achieve substantial synergies, cost savings and growth opportunities as a result of such acquisitions. However, Windstream's ability to realize the anticipated synergies, cost savings and growth opportunities will depend upon the successful consummation of pending acquisitions and the integration of the respective businesses of these companies with that of Windstream. Even if Windstream successfully consummates all of these acquisitions and integrates these businesses, there can be no assurance that this integration will result in the realization of the full benefit of the anticipated synergies, cost savings or growth opportunities or that these benefits will be realized within the expected time frames. Despite Windstream's efforts to retain quality employees, Windstream might lose some employees in connection with these acquisitions. Windstream cannot assure you that the combined companies will be able to attract, retain and integrate employees following these acquisitions. It is possible that the integration process of the respective acquisitions could result in the diversion of Windstream's management's attention, the disruption or interruption of, or the loss of momentum in, Windstream's ongoing business or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect Windstream's ability to maintain relationships with its customers and employees or Windstream's ability to achieve the anticipated benefits of these acquisitions, or could

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1A. Risk Factors**

reduce the earnings or otherwise adversely affect Windstream's business and financial results. The market price of Windstream common stock may decline as a result of these acquisitions if the consummation of these acquisitions or the integration of these businesses is unsuccessful or takes longer than expected, the perceived benefits of these acquisitions are not achieved as rapidly or to the extent anticipated by financial analysts or investors, or the effect of these acquisitions on Windstream's financial results is not consistent with the expectations of financial analysts or investors.

#### ***Windstream is dependent upon other ILECs for facilities and service in operating territories in which it is not the incumbent.***

Following the merger with NuVox, Windstream will have significant operating presences in territories where it will depend upon the ILEC to install and maintain the vast majority of the facilities used to serve its customers ("CLEC territories"). These facilities include certain digital transmission lines, unbundled network elements ("UNEs") and other network components. The prices for these network components are negotiated with the ILEC or purchased pursuant to the ILEC's special access tariff terms and conditions. The terms, conditions and prices included in these tariffs may be changed but must be approved by the appropriate regulatory agency before they go into effect. In addition, interconnection agreements with the ILEC must be negotiated whenever Windstream enters a new CLEC market or an existing agreement expires. If interconnection agreements with the ILECs cannot be negotiated on favorable terms, or at all, Windstream may invoke binding arbitration by state regulatory agencies. The arbitration process is expensive and time consuming, and the results of arbitration may be unfavorable to Windstream. The inability to obtain interconnection on favorable terms would be detrimental to operations in the CLEC territories.

Access to the ILEC-provisioned facilities and services is essential for providing communication services in the CLEC territories. Because of this dependence, communications services in these territories are susceptible to changes in the availability and pricing of ILEC facilities and services. If the ILECs become legally entitled to deny or limit access to network elements such as UNEs, or if state commissions allow ILECs to increase their rates for these elements or services, Windstream may not be able to effectively compete in these CLEC territories. In addition, if the ILECs do not adequately maintain or timely install these facilities, which they are legally obligated to do, Windstream's service to customers may be adversely affected. As a result, Windstream's business, results of operations and financial condition could be materially impacted as Windstream may have difficulty retaining existing customers and attracting new ones.

#### ***Our operations require substantial capital expenditures.***

We require substantial capital to maintain, upgrade and enhance our network facilities and operations. During 2009, we incurred \$298.1 million in capital expenditures. In addition, our current dividend practice utilizes a significant portion of our cash generated from operations and therefore limits our operating and financial flexibility and our ability to significantly increase capital expenditures. While we have historically been able to fund capital expenditures from cash generated from operations, the other risk factors described in this section could materially reduce cash available from operations or significantly increase our capital expenditure requirements, and these outcomes could cause capital to not be available when needed. This could adversely affect our business.

#### ***Unfavorable changes in financial markets could adversely affect our pension plan investments resulting in material funding requirements to meet pension obligations.***

The Company's pension plan invests in marketable equity securities, including marketable debt and equity securities denominated in foreign currencies, which are exposed to changes in the financial markets. During 2009, the fair market value of these investments increased 19.9 percent to \$784.0 million primarily due to increases in the market value of assets held of \$152.0 million, transfers from the D&E pension plan of \$61.4 million and contributions of \$3.3 million. Partially offsetting these increases were routine and lump sum benefit payments of \$51.1 million and \$35.6 million, respectively. Returns generated on plan assets have historically funded a large portion of the benefits paid under the Company's pension plan. The Company estimates that the long term rate of return on plan assets will be 8.0 percent, but returns below this estimate could significantly increase our contribution requirements, which could adversely affect our cash flows from operations.

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## **Table of Contents**

### **Windstream Corporation Form 10-K, Part I**

#### **Item 1A. Risk Factors**

*Windstream's relationships with other communications companies are material to its operations and their financial difficulties may adversely affect Windstream.*

Windstream originates and terminates calls for long distance carriers and other interexchange carriers over Windstream's network in exchange for access charges that represent a significant portion of Windstream's revenues. Should these carriers go bankrupt or experience substantial financial difficulties, Windstream's inability to timely collect access charges from them could have a negative effect on Windstream's business and results of operation.

*Disruption in our networks and infrastructure may cause us to lose customers and incur additional expenses.*

To be successful, we will need to continue to provide our customers with reliable service over our networks. Some of the risks to our networks and infrastructure include: physical damage to access lines, breaches of security, capacity limitations, power surges or outages, software defects and disruptions beyond our control, such as natural disasters and acts of terrorism. From time to time in the ordinary course of business, we will experience short disruptions in our service due to factors such as cable damage, inclement weather and service failures of our third party service providers. We could experience more significant disruptions in the future. We could also face disruptions due to capacity limitations if changes in our customers' usage patterns for our high-speed Internet services result in a significant increase in capacity utilization, such as through increased usage of video or peer-to-peer file sharing applications. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers and incur expenses, and thereby adversely affect our business, revenue and cash flows.

*Weak economic conditions may decrease demand for our services.*

We could be sensitive to economic conditions and downturns in the economy. Downturns in the economy and vendor concentration in the markets we serve could cause our existing customers to reduce their purchases of our basic and enhanced services and make it difficult for us to obtain new customers.

*Key suppliers may experience financial difficulties that may impact Windstream's operations.*

Windstream purchases a significant amount of equipment from key suppliers to maintain, upgrade and enhance our network facilities and operations. Should these suppliers experience financial difficulties, it could adversely affect our business through increased prices to source purchases through alternative vendors or unanticipated delays in the delivery of equipment and services purchased.

*Adverse developments in our relationship with our employees could adversely affect our business, financial condition or results of operations.*

As of December 31, 2009, approximately 1,693 of our employees, or 23 percent of all of our employees, at various sites were covered by collective bargaining agreements. Our relationship with these unions generally has been satisfactory, but occasional work stoppages have occurred. Any work stoppages in the future could have a material adverse effect on our business, financial condition or results of operations.

We are currently party to 21 collective bargaining agreements and one National Pension Agreement with several unions, which expire at various times. In addition, the proposed Employee Free Choice Act ("EFCA"), if enacted, could increase organizational activity at locations where employees are currently not represented by a labor organization. Of our existing collective bargaining agreements, 14 agreements (including the national pension agreement) are due to expire in 2010. Of the 14 agreements expiring in 2010, the 13 local agreements cover 776 employees and the national pension agreement covers 711 employees. Historically, we have succeeded in negotiating new collective bargaining agreements without work stoppages; however, no assurances can be given that we will succeed in negotiating new collective bargaining agreements to replace the expiring ones without work stoppages. Increases in organizational activity or any future work stoppages could have a material adverse effect on our business, financial condition or results of operations.

*Windstream cannot assure you that it will continue paying dividends at the current rate.*

Windstream's board of directors has adopted a current dividend practice for the payment of quarterly cash dividends at a rate of \$0.25 per share of the Company's common stock. This practice can be changed at any time at the discretion of

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### **Windstream Corporation Form 10-K, Part I**

#### **Item 1A. Risk Factors**

the board of directors, and Windstream's common stockholders should be aware that they have no contractual or other legal right to dividends. In addition, the other risk factors described in this section could materially reduce the cash available from operations or significantly increase our capital expenditure requirements, and these outcomes could cause capital to not be available when needed in an amount sufficient to support our current dividend practice. The amount of dividends that Windstream may distribute is also limited by restricted payment and leverage covenants in Windstream's credit facilities and indentures, and, potentially, the terms of any future indebtedness that Windstream may incur. The amount of dividends that Windstream may distribute is also subject to restrictions under Delaware law. If Windstream's board of directors were to adopt a change in its current dividend practice that resulted in a reduction in the amount of dividends, such change could have a material and adverse effect on the market price of Windstream's common stock.

In addition, the American Jobs and Growth Tax Relief Reconciliation Act of 2003 designated qualifying dividend payments on capital stock as long term capital gains, which capped the federal tax rate on these payments at 15 percent. The provisions of this act are set to expire January 1, 2011, and if not renewed, dividends will become taxable as ordinary income to the shareholder at their current federal tax rate. This could adversely effect the market price of Windstream's common stock by decreasing the after tax yield of holding the stock.

#### ***Windstream's data center migration could result in a material disruption to our operations.***

Windstream currently outsources the data center for its information technology ("IT") systems and internet service provider systems to a third party under a contract ending June 30, 2010. During 2009, our third party service provider provided notice that this contract will not be renewed, and Windstream will be required to relocate each of these data centers to a new location and service provider. The data center services to be migrated include managed mainframe services, output processing, IT support services, and data storage, which support most of Windstream's IT systems including billing, financial reporting, customer service, and assignment and provisioning. While this data center migration is a complex process, Windstream believes that it has sufficient time and resources to complete a successful migration. However, our inability to complete this migration successfully could result in a material disruption in our ability to service customers, process bills and perform other support services and could thereby adversely affect our business, revenue and cash flows.

#### **Item 1B. Unresolved Staff Comments**

No reportable information under this item.

#### **Item 2. Properties**

The Company's properties do not provide a basis for description by character or location of principal units. Certain Windstream properties are pledged as collateral as discussed further in Note 15 to the consolidated financial statements. The obligations under our senior secured credit facilities are secured by liens on substantially all of the personal property assets of Windstream and its subsidiaries who are guarantors of our senior secured credit facilities. A summary of the Company's investment in property, plant and equipment is presented below.

The Company owns property, which consists primarily of land and buildings, office and warehouse facilities, central office equipment, software, outside plant and related equipment. Outside communications plant includes aerial and underground cable, conduit, poles and wires. Central office equipment includes digital switches and peripheral equipment. The Company's gross investment in property, by category, as of December 31, 2009, was as follows:

	(Millions)
Land	\$ 28.0
Building and improvements	478.9
Central office equipment	4,040.1
Outside communications plant	4,843.9
Furniture, vehicles and other equipment	496.3
Total	\$ 9,887.2

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**Windstream Corporation  
Form 10-K, Part I**

**Item 3. Legal Proceedings**

The Company is party to various legal proceedings, the ultimate resolution of which cannot be determined at this time. Management does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on the future consolidated results of income, cash flows or financial condition of the Company.

In addition, management is currently not aware of any environmental matters that, individually or in the aggregate, would have a material adverse effect on the consolidated financial condition or results of operations of the Company.

**Item 4. Submission of Matters to a Vote of Security Holders**

No matters were submitted to the security holders for a vote during the fourth quarter of 2009.

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**Table of Contents****Windstream Corporation**  
**Form 10-K, Part II****Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities**

- (a) On December 10, 2009, Windstream voluntarily moved its stock exchange listing from the New York Stock Exchange ("NYSE") to the NASDAQ Global Select Market. Windstream common stock is traded on the NASDAQ Global Select Market under the symbol "WIN". The following table reflects the range of high, low and closing prices of Windstream's common stock as reported by Dow Jones & Company, Inc. for each quarter in 2009 and 2008.

Year	Quarter	High	Low	Close	Dividend Declared
2009	4th	\$11.65	\$ 9.62	\$10.99	\$0.25
	3rd	\$10.34	\$ 7.71	\$10.13	\$0.25
	2nd	\$ 9.13	\$ 7.85	\$ 8.36	\$0.25
	1st	\$ 9.48	\$ 6.28	\$ 8.06	\$0.25
2008	4th	\$11.13	\$ 6.37	\$ 9.20	\$0.25
	3rd	\$12.94	\$10.70	\$10.94	\$0.25
	2nd	\$15.00	\$11.31	\$12.34	\$0.25
	1st	\$13.10	\$10.40	\$11.95	\$0.25

As of February 16, 2010, the approximate number of holders of common stock, including an estimate for those holding shares in street name, was 177,000.

For a discussion of certain restrictions on the ability of Windstream to pay dividends under its debt instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Financial Condition, Liquidity and Capital Resources" in the Financial Supplement to this annual report on Form 10-K.

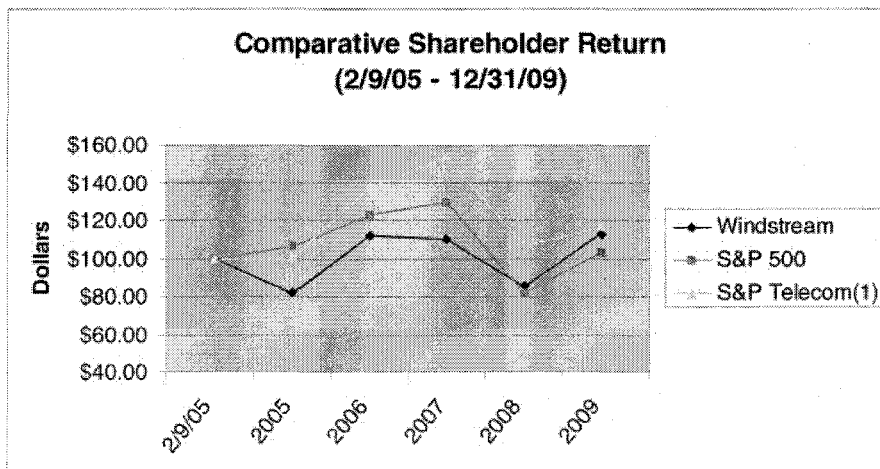
- (b) Not applicable.
- (c) Information pertaining to the repurchase of Windstream shares is included below.
- (1) In February 2008, the Windstream Board of Directors approved a stock repurchase program for up to \$400.0 million of the Company's common stock continuing until December 31, 2009. During the fourth quarter of 2009, the Company repurchased 7.8 million of its common shares at a cost of \$77.8 million. The Company repurchased 13.0 million shares totaling \$121.3 million during 2009 bringing total repurchases under the stock repurchase program to 29.0 million shares for approximately \$321.6 million. The stock repurchase program expired on December 31, 2009.

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### Windstream Corporation Form 10-K, Part II

#### Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Set forth below is a line graph showing a quarterly comparison since February 9, 2005, the initial day of public trading of Valor shares, of total cumulative stockholder returns on Windstream common stock, along with the returns on the Standards & Poor's ("S&P") 500 Stock Index and the S&P Telecom Index. The S&P Telecom Index consists of the following companies: American Tower Corporation, AT&T Inc., CenturyLink, Frontier Communications Corp., Qwest Communications International Inc., Sprint Nextel Corp., Verizon Communications Inc. and Windstream Corporation.



	Total Cumulative Shareholder Returns					
	2/9/05	2005	2006	2007	2008	2009
Windstream	\$100.00	\$81.87	\$112.46	\$110.50	\$85.48	\$113.63
S&P 500	\$100.00	\$106.46	\$123.27	\$130.04	\$81.92	\$103.61
S&P Telecom <sup>(1)</sup>	\$100.00	\$100.56	\$137.51	\$153.84	\$106.95	\$116.51

(1) S&P Telecom Index includes: AMT, T, CTL, FTR, PCS, Q, S, VZ, WIN

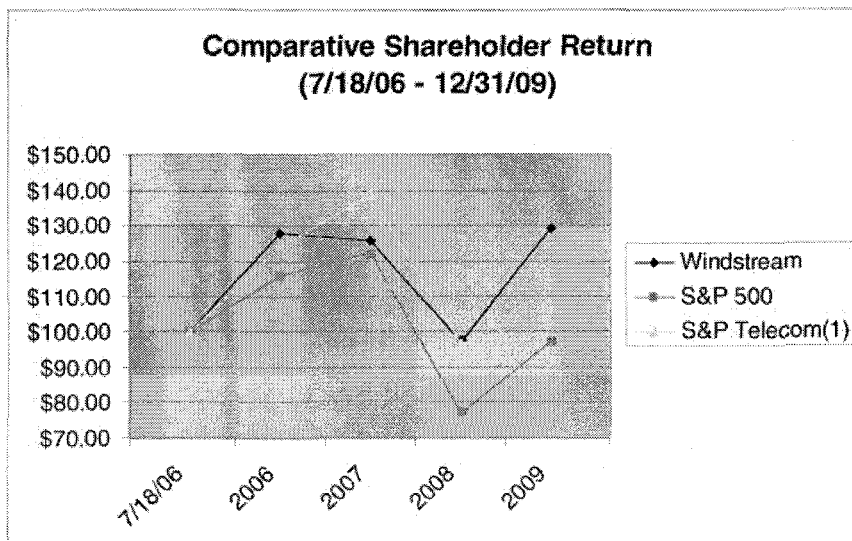
The graph and table above provides the cumulative change of \$100.00 invested on February 9, 2005, including reinvestment of dividends, for the periods indicated.

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**Windstream Corporation  
Form 10-K, Part II**

**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities**

Set forth below is a line graph showing quarterly comparisons of stockholder returns since July 18, 2006, the initial day of trading following the spin off from Alltel and merger with Valor. The graph includes the total cumulative stockholder returns on Windstream common stock, and comparative returns on the S&P 500 Stock Index and the S&P Telecom Index.



Total Cumulative Shareholder Returns					
	7/18/06	2006	2007	2008	2009
Windstream	\$100.00	\$127.83	\$125.61	\$97.17	\$129.17
S&P 500	\$100.00	\$115.92	\$122.28	\$77.04	\$97.43
S&P Telecom <sup>(1)</sup>	\$100.00	\$123.96	\$138.69	\$96.41	\$105.03
(1) S&P Telecom Index includes: AMT, T, CTL, FTR, PCS, Q, S, VZ, WIN					

The graph and table above provides the cumulative change of \$100.00 invested on July 18, 2006, including reinvestment of dividends, for the periods indicated.

The foregoing performance graphs contained in Item 5 shall not be deemed to be soliciting material or be filed with the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

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**Windstream Corporation  
Form 10-K, Part II**

**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities**

Under the Company's stocked-based compensation plans, Windstream may issue restricted stock and other equity securities to directors, officers and other key employees. The maximum number of shares available for issuance under the Windstream 2006 Equity Incentive Plan is 10.0 million shares.

The following table sets forth information about Windstream's equity compensation plans as of February 16, 2010:

Equity Compensation Plan Information			
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights [a]	Weighted-average exercise price of outstanding options, warrants and rights [b]	Number of securities remaining available for future issuance under equity compensation plans [c] (excluding securities reflected in column [a])
Equity compensation plans not approved by security holders	-	-	-
Equity compensation plans approved by security holders	-	-	1,960,557 (1)
Total	-	-	1,960,557

(1) The Windstream Corporation 2006 Equity Incentive Plan.

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**Windstream Corporation  
Form 10-K, Part II**

**Item 6. Selected Financial Data**

For information pertaining to Selected Financial Data of Windstream, refer to page F-30 of the Financial Supplement, which is incorporated by reference herein.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For information pertaining to Management's Discussion and Analysis of Financial Condition and Results of Operations of Windstream, refer to pages F-2 to F-29 of the Financial Supplement, which is incorporated by reference herein.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

For information pertaining to the Company's market risk disclosures, refer to pages F-24 through F-25 of the Financial Supplement, which is incorporated by reference herein.

**Item 8. Financial Statements and Supplementary Data**

For information pertaining to Financial Statements and Supplementary Data of Windstream, refer to pages F-31 to F-78 of the Financial Supplement, which is incorporated by reference herein.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

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### **Windstream Corporation Form 10-K, Part II**

#### **Item 9A. Controls and Procedures**

- (a) Evaluation of disclosure controls and procedures.

The term "disclosure controls and procedures" (defined in Exchange Act Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including the company's principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. Windstream's management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this annual report (the "Evaluation Date"). Based on that evaluation, Windstream's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such disclosure controls and procedures were effective.

- (b) Management's report on internal control over financial reporting.

Management has excluded the operations of D&E Communications, Inc. and Lexcom, Inc., wholly-owned subsidiaries of the Company, from its assessment of internal control over financial reporting as of December 31, 2009, because they were acquired by the Company in recently completed 2009 purchase business combinations. The operations of D&E Communications, Inc. and Lexcom, Inc. represent approximately 5.0 percent and 2.0 percent, respectively, of the Company's consolidated total assets and 0.7 percent and 0.1 percent, respectively, of the Company's consolidated revenues and sales, as of December 31, 2009.

Management's Report on Internal Control Over Financial Reporting, which appears on page F-34 of the Financial Supplement, is incorporated by reference herein.

- (c) Changes in internal control over financial reporting.

The term "internal control over financial reporting" (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Windstream's management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated any changes in the Company's internal control over financial reporting that occurred during the period covered by this annual report, and they have concluded that there were no changes to Windstream's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Windstream's internal control over financial reporting.

#### **Item 9B. Other Information**

No reportable information under this item.

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### Windstream Corporation Form 10-K, Part III

#### Item 10. Directors, Executive Officers, and Corporate Governance

For information pertaining to Directors of Windstream Corporation refer to "Proposal No. 1 – Election of Directors" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which is incorporated herein by reference. For information pertaining to the audit committee financial expert and corporate governance refer to "Board and Board Committee Matters" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which is incorporated herein by reference. For information pertaining to the Audit Committee, refer to "Audit Committee Report" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which is incorporated herein by reference.

Executive officers of the Company as of December 31, 2009, were as follows:

Name	Business Experience	Age
Jeffery R. Gardner	President and Chief Executive Officer of Windstream since July 17, 2006 and of Alltel Holding Corp. from December 2005 to July 2006; Executive Vice President and Chief Financial Officer of Alltel Corporation from 1998 to 2005.	49
Brent K. Whittington	Chief Operating Officer of Windstream since August 10, 2009; Executive Vice President and Chief Financial Officer of Windstream from July 2006 to August 2009 and of Alltel Holding Corp. from December 2005 to July 2006; Vice President of Finance and Accounting of Alltel Corporation from 2002 to 2005.	38
Anthony W. Thomas	Chief Financial Officer of Windstream since August 10, 2009; Controller of Windstream from July 2006 to August 2009 and of Alltel Holding Corp. from June 2006 to July 2006; Various positions with Alltel Corporation from 1998 to 2006 including Vice President of Investor Relations and Vice President of Southeast Regional Finance.	38
John P. Fletcher	Executive Vice President, General Counsel and Secretary of Windstream since July 17, 2006 and of Alltel Holding Corp. from February 2006 to July 2006; Partner at Kutak Rock LLP from 2000 to 2006.	44
Michael D. Rhoda	Senior Vice President – Government Affairs of Windstream since July 17, 2006 and of Alltel Holding Corp. from December 2005 to July 2006; Various positions with Alltel Corporation from 2002 to 2005 including Vice President of Business Development, and Vice President – Wireline Regulatory & Wholesale Services.	49
Robert G. Clancy, Jr.	Senior Vice President and Treasurer of Windstream since July 17, 2006 and of Alltel Holding Corp. from December 2005 to July 2006; Various positions with Alltel Corporation from 1998 to 2005 including Vice President of Sales and Distribution, Vice President of Internal Audit, and Vice President of Investor Relations.	45
Susan Bradley	Senior Vice President – Human Resources of Windstream since July 17, 2006 and of Alltel Holding Corp. from December 2005 to July 2006; Various positions with Alltel Corporation from 1990 to 2005 including Vice President – Human Resources, Compensation and Staffing.	58
Grant Raney	Executive Vice President – Network Operations of Windstream since October 2007; Region Vice President – Southwest Region, Windstream Communications July 2006 to October 2007; SVP and COO of Valor Telecommunications Feb. 2005 to July 2006; SVP of Engineering and Operations, Valor Telecommunications August 2000-Feb. 2005; VP-Operations, Valor Telecommunications Feb. 2000 – August 2000; VP of Spectra Communications, a subsidiary of CenturyTel prior to that time.	49
Cindy Nash	Chief Information Officer of Windstream since August 10, 2009; Senior Vice President of Information Technology of Windstream from November 2007 to August 2009; Senior Vice President of Customer Service of Windstream from July 2006 to November 2007; Chief Information Officer of Valor from 2004 to July 2006.	45
Richard J. Crane	Executive Vice President and Chief Marketing Officer of Windstream since May 2007, and Senior Vice President – Marketing of Windstream from July 2006 to May 2007. Senior Vice President – Marketing of Alltel Holding Corp. from December 2005 to July 2006. Various positions with Alltel Corporation from 2000 to 2005 including Vice President Southeast Region and Vice President Strategic Marketing.	54
John C. Eichler	Vice President and Controller of Windstream since August 10, 2009; Vice President of Internal Audit from July 2006 to August 2009 and of Alltel Corporation's Wireline Operations from December 2005 to July 2006. Consultant from 2002 to 2005.	38

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## **Table of Contents**

### **Windstream Corporation Form 10-K, Part III**

#### **Item 10. Directors, Executive Officers, and Corporate Governance**

Windstream has a code of ethics that applies to all employees and members of the Board of Directors. Windstream's code of ethics, referred to as the "Working with Integrity" guidelines, is posted on the Investor Relations page of the Company's web site ([www.windstream.com](http://www.windstream.com)) under "corporate governance". Windstream will disclose in the corporate governance section of the Investor Relations page on its web site amendments and waivers with respect to the code of ethics that would otherwise be required to be disclosed under Item 5.05 of Form 8-K. Windstream will provide to any stockholder a copy of the foregoing information, without charge, upon written request to Investor Relations, Windstream Corporation, 4001 Rodney Parham Road, Little Rock, Arkansas 72212.

For information regarding compliance with Section 16(a) of the Exchange Act, refer to "Section 16 (a) Beneficial Ownership Reporting Compliance" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which is incorporated herein by reference.

#### **Item 11. Executive Compensation**

For information pertaining to Executive Compensation, refer to "Compensation Committee Report on Executive Compensation" and "Management Compensation" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which are incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

For information pertaining to beneficial ownership of Windstream securities and director independence, refer to "Security Ownership of Directors and Executive Officers", "Security Ownership of Certain Beneficial Owners" and "Board and Board Committee Matters" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which are incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

For information pertaining to Certain Relationships and Related Transactions, refer to "Certain Transactions" in Windstream's Proxy Statement for its 2010 Annual Meeting of Stockholders, which is incorporated herein by reference.

#### **Item 14. Principal Accountant Fees and Services**

For information pertaining to fees paid to the Company's principal accountant and the Audit Committee's pre-approval policy and procedures with respect to such fees, refer to "Audit and Non-Audit Fees" in Windstream's Proxy Statement for its 2010 Meeting of Stockholders, which is incorporated herein by reference.

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**Table of Contents****Windstream Corporation  
Form 10-K, Part IV****Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as a part of this report:

1. Financial Statements:

The following Consolidated Financial Statements of Windstream Corporation are included in the Financial Supplement, which is incorporated by reference herein:

Financial  
Supplement  
Page Number

Report of Independent Registered Public Accounting Firm

F-33

Consolidated Statements of Income -

for the years ended December 31, 2009, 2008 and 2007

F-34

Consolidated Balance Sheets -as of December 31, 2009 and 2008

F-35

Consolidated Statements of Cash Flows -

for the years ended December 31, 2009, 2008 and 2007

F-36

Consolidated Statements of Shareholders' Equity -

for the years ended December 31, 2009, 2008 and 2007

F-37

Notes to Consolidated Financial Statements

F-38 – F-78

2. Financial Statement Schedules:

Form 10-K  
Page Number

Report of Independent Registered Public Accounting Firm

33

Schedule II. Valuation and Qualifying Accounts

34-35

3. Exhibits:

Exhibit Index

36-40

Separate condensed financial statements of Windstream Corporation have been omitted since the Company meets the tests set forth in Regulation S-X Rule 4-08(e)(3). All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Windstream Corporation  
Registrant

By /s/ Jeffery R. Gardner  
Jeffery R. Gardner, President and Chief Executive Officer

Date: February 24, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Anthony W. Thomas  
Anthony W. Thomas,  
Chief Financial Officer  
(Principal Financial Officer)

Date: February 24, 2010

By /s/ Jeffery R. Gardner  
Jeffery R. Gardner, President and Chief Executive Officer

By /s/ John C. Eichler  
John C. Eichler, Controller  
(Principal Accounting Officer)

\*Dennis E. Foster, Chairman and Director

\*Carol B. Armitage, Director

\*Samuel E. Beall, III, Director

\*Francis X. Frantz, Director

\*Jeffrey T. Hinson, Director

\*Judy K. Jones, Director

\*William A. Montgomery, Director

\*Frank E. Reed, Director

By /s/ John P. Fletcher  
\* (John P. Fletcher,  
Attorney-in-fact)

Date: February 24, 2010

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**Report of Independent Registered Public Accounting Firm on  
Financial Statement Schedule**

To the Board of Directors and Shareholders of Windstream Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 24, 2010 appearing in this 2009 Annual Report on Form 10-K of the Company also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Little Rock, Arkansas  
February 24, 2010

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## WINDSTREAM CORPORATION SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (Dollars in Millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
<b>Allowance for doubtful accounts, customers and others:</b>					
For the years ended:					
December 31, 2009	\$ 16.3	\$ 44.0	\$ -	\$ 41.8 (A)	\$ 18.5
December 31, 2008	\$ 13.1	\$ 38.7	\$ -	\$ 35.5 (A)	\$ 16.3
December 31, 2007	\$ 10.4	\$ 28.5	\$ -	\$ 25.8 (A)	\$ 13.1
<b>Valuation allowance for deferred tax assets:</b>					
For the years ended:					
December 31, 2009	\$ 2.6	\$ -	\$ 21.8 (B)	\$ -	\$ 24.4
December 31, 2008	\$ 11.3	\$ -	\$ -	\$ 8.7 (C)	\$ 2.6
December 31, 2007	\$ 10.6	\$ -	\$ 3.5 (D)	\$ 2.8 (E)	\$ 11.3
<b>Accrued liabilities related to merger, integration and restructuring charges:</b>					
For the years ended:					
December 31, 2009	\$ 8.3	\$ 31.6 (F)	\$ -	\$ 33.3 (G)	\$ 6.6
December 31, 2008	\$ 14.7	\$ 10.1 (H)	\$ -	\$ 16.5 (I)	\$ 8.3
December 31, 2007	\$ 28.9	\$ 13.9 (J)	\$ 25.3 (K)	\$ 53.4 (L)	\$ 14.7

### Notes:

- (A) Accounts charged off net of recoveries of amounts previously written off.
- (B) Valuation allowance for deferred taxes was established through goodwill related to expected realization of net operating losses assumed from the acquisitions of D&E and Lexcom.
- (C) Net valuation allowance adjustment through goodwill in 2008 primarily due to a purchase accounting adjustment for a revision in the limitation associated with the federal net operating loss carry forward acquired from the merger with Valor.
- (D) Valuation allowance for deferred taxes was established through goodwill related to expected realization of net operating losses assumed from the acquisition of CTC.
- (E) Adjustment through goodwill to the net operating loss carry forwards acquired from Valor.
- (F) Costs primarily include charges for accounting, legal, broker fees and other miscellaneous costs associated with the completed acquisitions of D&E, Lexcom and NuVox, as well as the pending acquisition of Iowa Telecom. In addition, the Company incurred a restructuring charge associated with a workforce reduction to realign certain information technology, network operations and business sales functions.
- (G) Includes cash outlays of \$15.1 million for restructuring charges and \$18.2 million for merger, integration and restructuring costs charged to expense, including employee related transition costs related to the acquisitions of D&E, Lexcom and NuVox, as well as the pending acquisition of Iowa Telecom.
- (H) The Company incurred merger and integration costs of \$6.2 million related to the acquisition of CTC wireline operations during the twelve months ended December 31, 2008, primarily related to system conversion costs. During the second quarter of 2008, the Company determined not to use certain software acquired in the CTC acquisition; therefore, we recognized a \$5.4 million non-cash charge to abandon this asset, of which \$0.8 million was related to the wireless business. Additionally in 2008, the Company incurred \$8.5 million in restructuring costs primarily related to the announced workforce reduction in the fourth quarter of 2008 to control expenses in a challenging economy and to realign certain information technology, network operations and business sales functions.
- (I) Includes cash outlays of \$5.0 million for merger, integration and restructuring costs charged to expense, and \$11.5 million in cash outlays for CTC and Valor transaction costs charged to goodwill.

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- (J) During 2007, the Company incurred total merger and integration costs of \$5.6 million to complete the acquisition of CTC, and incurred \$3.7 million in transaction costs to complete the split off of its directory publishing business. Additionally in 2007, the Company incurred \$4.6 million in restructuring costs from a workforce reduction plan and the announced realignment of its business operations and customer service functions intended to improve overall support to its customers.
- (K) CTC transaction charges included in goodwill in the amount of \$25.3 million consisted primarily of capitalized transaction and employee-related costs.
- (L) Includes cash outlays of \$32.4 million for merger, integration and restructuring costs charged to expense, and \$21.0 million in cash outlays for CTC and Valor transaction costs charged to goodwill.

See Note 10, "Merger, Integration and Restructuring Charges", to the consolidated financial statements on pages F-62 to F-64 in the Financial Supplement, which is incorporated herein by reference, for additional information regarding the merger, integration and restructuring charges recorded by the Company in 2009, 2008, and 2007.

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3.1	Amended and Restated Certificate of Incorporation of Windstream Corporation (incorporated herein by reference to Exhibit 3.1 to Amendment No. 3 to the Corporation's Registration Statement on Form S-4 filed May 23, 2006).	*
3.2	Amended and Restated Bylaws of Windstream Corporation (incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K dated February 19, 2010).	*
4.1	Indenture dated July 17, 2006 among Windstream Corporation (as successor to Alltel Holding Corp.), certain subsidiaries of Windstream as guarantors thereto and SunTrust Bank, as trustee (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*
4.2	First Supplemental Indenture dated as of July 17, 2006 among Windstream Corporation, certain subsidiaries of Windstream as guarantors thereto and SunTrust Bank, as trustee (incorporated herein by reference to Exhibit 4.4 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*
4.3	Second Supplemental Indenture dated August 31, 2007 to the Indenture dated as of July 17, 2006 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association (as successor to SunTrust Bank), as trustee (incorporated herein by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated August 31, 2007).	*
4.4	Third Supplemental Indenture dated December 12, 2007 to the Indenture dated as of July 17, 2006 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association (as successor to SunTrust Bank), as trustee (incorporated herein by reference to Exhibit 4.4 to the Corporation's Current Report on Form 10-K dated February 29, 2008).	*
4.5	Fourth Supplemental Indenture dated as of June 22, 2009 to the Indenture dated July 17, 2006 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.6	Fifth Supplemental Indenture dated as of November 20, 2009 to the Indenture dated July 17, 2006 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.7	Sixth Supplemental Indenture dated as of December 14, 2009 to the Indenture dated July 17, 2006 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.8	Indenture dated February 27, 2007 among Windstream Corporation, certain subsidiaries of Windstream as guarantors thereto and U.S. Bank, National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated March 1, 2007).	*
4.9	First Supplemental Indenture dated as of August 31, 2007 to the Indenture dated as of February 27, 2007 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.3 to the Corporation's Current Report on Form 8-K dated August 31, 2007).	*
4.10	Second Supplemental Indenture dated as of December 12, 2007 to the Indenture dated as of February 27, 2007 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.7 to the Corporation's Current Report on Form 10-K dated February 29, 2008).	*

\* Incorporated herein by reference as indicated.

(a) Filed herewith.

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### EXHIBIT INDEX, Continued

#### Number and Name

4.11	Third Supplemental Indenture dated as of June 22, 2009 to the Indenture dated as of February 27, 2007 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.12	Fourth Supplemental Indenture dated as of November 20, 2009 to the Indenture dated as of February 27, 2007 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.13	Fifth Supplemental Indenture dated as of December 14, 2009 to the Indenture dated as of February 27, 2007 between the Company, certain of its subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.14	Indenture, dated February 14, 2005, among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, Valor Communications Group, Inc. and the other guarantors thereto, and The Bank of New York, as Trustee (incorporated herein by reference to Exhibit 4.1 to Quarterly Report of Valor Communications Group, Inc. on Form 10-Q for the quarter ended March 31, 2005).	*
4.15	First Supplemental Indenture dated as of July 17, 2006 to the Indenture dated as of February 14, 2005, among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, certain subsidiaries of Windstream as guarantors thereto and The Bank of New York, as trustee (incorporated herein by reference to Exhibit 4.6 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*
4.16	Second Supplemental Indenture dated August 31, 2007 to the Indenture dated as of February 14, 2005 among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, certain subsidiaries of Windstream, as guarantors, and The Bank of New York, as trustee (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated August 31, 2007).	*
4.17	Third Supplemental Indenture dated December 12, 2007 to the Indenture dated as of February 14, 2005 among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, certain subsidiaries of Windstream, as guarantors, and The Bank of New York, as trustee (incorporated herein by reference to Exhibit 4.11 to the Corporation's Current Report on Form 10-K dated February 29, 2008).	*
4.18	Fourth Supplemental Indenture dated as of June 22, 2009 to the Indenture dated as of February 14, 2005, among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, certain subsidiaries of Windstream, as guarantors, and The Bank of New York Mellon, as trustee.	(a)
4.19	Fifth Supplemental Indenture dated as of November 20, 2009 to the Indenture dated as of February 14, 2005, among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, certain subsidiaries of Windstream, as guarantors, and The Bank of New York Mellon, as trustee.	(a)
4.20	Sixth Supplemental Indenture dated as of December 14, 2009 to the Indenture dated as of February 14, 2005, among Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp., as Issuers, certain subsidiaries of Windstream, as guarantors, and The Bank of New York Mellon, as trustee.	(a)

\* Incorporated herein by reference as indicated.

(a) Filed herewith.

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#### Number and Name

4.21	Indenture dated as of October 8, 2009 among Windstream Corporation, as Issuer, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Corporation's Form 8-K date October 8, 2009).	*
4.22	First Supplemental Indenture dated as of November 20, 2009 to the Indenture dated as of October 8, 2009 among Windstream Corporation, certain of its subsidiaries, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.23	Second Supplemental Indenture dated December 14, 2009 to the Indenture dated as of October 8, 2009 among Windstream Corporation, certain of its subsidiaries, as guarantors, and U.S. Bank National Association, as trustee.	(a)
4.24	Form of 8 1/8% Senior Note due 2013 of Windstream Corporation (as successor to Alltel Holding Corp.) (incorporated herein by reference to Note included in Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*
4.25	Form of 8 5/8% Senior Note due 2016 of Windstream Corporation (as successor to Alltel Holding Corp.) (incorporated herein by reference to Note included in Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*
4.26	Form of 7.0% Senior Note due 2019 of Windstream Corporation (incorporated herein by reference to Note included in Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated March 1, 2007).	*
4.27	Form of 7 3/4% Senior Note due 2015 of Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp. (incorporated herein by reference to Exhibit 4.1 to Quarterly Report on Form 10-Q of Valor Communications Group, Inc for the quarter ended March 31, 2005).	*
4.28	Form of 7.875% Senior Note due 2017 of Windstream Corporation (incorporated herein by reference to Exhibit 4.1 to the Corporation's Form 8-K date October 8, 2009).	*
10.1	Amended and Restated Credit Agreement dated as of October 19, 2009 among Windstream Corporation, certain lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, Citibank N.A. and Wachovia Bank National Association, as Co-Documentation Agents, and J.P. Morgan Securities, Inc., and Banc of America Securities, LLC, as Joint Bookrunners and Lead Arrangers (incorporated by reference to Exhibit 10.1 to the Corporation's Form 8-K dated October 8, 2009).	*
10.2	Director Compensation Program dated February 17, 2010.	(a)
10.3	Form of Restricted Shares Agreement (Non-Employee Directors) entered into between Windstream Corporation and non-employee directors (incorporated herein by reference to Exhibit 10.3 to the Corporation's Current Report on Form 8-K dated February 6, 2007).	*
10.4	Windstream Corporation Performance Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.8 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*

\* Incorporated herein by reference as indicated.

(a) Filed herewith.

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### EXHIBIT INDEX, Continued

#### Number and Name

10.5	Amendment No. 1 to Windstream Corporation Performance Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 to the Corporation's Current Report on Form 8-K dated January 4, 2008).	*
10.6	Windstream Corporation Benefit Restoration Plan, amended and restated as of January 1, 2008 (incorporated herein by reference to Exhibit 10.2 to the Corporation's Current Report on Form 8-K dated January 4, 2008).	*
10.7	Windstream Corporation 2007 Deferred Compensation Plan, amended and restated as of January 1, 2008 (incorporated herein by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated January 4, 2008).	*
10.8	Form of Indemnification Agreement entered into between Windstream Corporation and its directors and executive officers (incorporated herein by reference to Exhibit 10.13 to the Corporation's Current Report on Form 8-K dated July 17, 2006).	*
10.9	Form of Restricted Shares Agreement (Officers: Restricted Stock) entered into between Windstream Corporation and its executive officers (incorporated herein by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated February 6, 2009).	*
10.10	Form of Restricted Shares Agreement (Officers: Performance-Based Restricted Stock) entered into between Windstream Corporation and its executive officers (incorporated herein by reference to Exhibit 10.2 to the Corporation's Current Report on Form 8-K dated February 6, 2009).	*
10.11	Form of Restricted Shares Agreement (Officers: Performance-Based Restricted Stock-Clawback-Policy/Accrued Dividends) entered into between Windstream Corporation and its executive officers (incorporated herein by reference to Exhibit 10.2 to the Corporation's Current Report dated February 19, 2010).	*
10.12	Form of Restricted Shares Agreement (Officers: Restricted Stock-Clawback Policy) entered into between Windstream Corporation and its executive officers (incorporated herein by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated February 19, 2010).	*
10.13	Amended and Restated Employment Agreement, dated as of January 1, 2008, between Windstream Corporation and Jeffery R. Gardner (incorporated herein by reference to Exhibit 10.6 to the Corporation's Current Report on Form 8-K dated January 4, 2008).	*
10.14	Amendment to Employment Agreement, dated as of December 21, 2009, between Windstream Corporation and Jeffery R. Gardner (incorporated herein by reference to Exhibit 10.1 to Corporation's Current Report on Form 8-K dated December 21, 2009).	*
10.15	Form of Amended and Restated Change-In-Control Agreement, dated as of January 1, 2008, entered into between the Windstream Corporation and certain executive officers (incorporated herein by reference to Exhibit 10.5 to the Corporation's Current Report on Form 8-K dated January 4, 2008).	*
10.16	Form of Change-In-Control Agreement entered into between Windstream Corporation and certain executive officers on August 10, 2010 (incorporated herein by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated August 10, 2009).	*
10.17	Letter Agreement, dated as of November 7, 2006, between the Windstream Corporation and Francis X. Frantz (incorporated herein by reference to Exhibit 10.3 to the Corporation's Current Report on Form 8-K dated November 13, 2006).	*
10.18	Windstream 2006 Equity Incentive Plan (incorporated by reference to Annex G to the Corporation's Proxy Statement/Prospectus-Information Statement dated May 26, 2006).	*

\* Incorporated herein by reference as indicated.

(a) Filed herewith.

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### EXHIBIT INDEX, Continued

#### Number and Name

10.19	Amendment No. 1 to Windstream 2006 Equity Incentive plan, dated January 1, 2008 (incorporated by reference to Exhibit 10.3 to the Corporation's Current Report on Form 8-K dated January 4, 2008).	*
10.20	1999 Long-Term Incentive Plan of D&E Communications, Inc. (incorporated herein by reference to Exhibit 4.1 to D&E Communication, Inc.'s Registration Statement on Form S-8) (File No. 333-79445).	*
10.21	Conestoga Enterprises 1999 Stock Option Plan (incorporated herein by reference to Exhibit 99.1 to D&E Communication, Inc.'s Registration Statement on Form S-8) (File No. 333-76488).	*
10.22	Registration Rights Agreement dated October 8, 2009 among Windstream Corporation, certain subsidiaries of Windstream, as guarantors, and J.P. Morgan Securities, Inc., as representative (incorporated herein by reference to Exhibit 4.3 to the Corporation's Current Report on Form 8 K dated October 8, 2009).	*
10.23	Registration Rights Agreement dated December 30, 2009 among Windstream Corporation, certain subsidiaries of Windstream, as guarantors, and J.P. Morgan Securities, Inc., as representative (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8 K dated December 30, 2009).	*
14.1	Code of Ethics (Working with Integrity) of Windstream Corporation (incorporated herein by reference to Exhibit 14.1 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008).	*
21	Listing of Subsidiaries.	(a)
23	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.	(a)
24	Power of Attorney.	(a)
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	(a)
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	(a)
32(a)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(a)
32(b)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(a)
101.INS	XBRL Instance Document	(a)
101.SCH	XBRL Taxonomy Extension Schema Document	(a)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	(a)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	(a)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	(a)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	(a)

\* Incorporated herein by reference as indicated.  
(a) Filed herewith.

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**WINDSTREAM CORPORATION**

**FINANCIAL SUPPLEMENT  
TO ANNUAL REPORT ON FORM 10-K  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Overview

Windstream Corporation ("Windstream", "we", or the "Company") is a customer-focused telecommunications company that provides phone, high-speed Internet and digital television services. The Company also offers a wide range of IP-based voice and data services and advanced phone systems and equipment to businesses and government agencies. As of December 31, 2009, the Company provided service to approximately 3.0 million access lines and 1.1 million high-speed Internet customers primarily located in rural areas in 16 states.

The sections that follow provide an overview of our results of operations and highlight key trends and uncertainties in our business to the extent practicable. Certain statements set forth below constitute forward-looking statements. See "Forward-Looking Statements" at the end of this discussion for additional factors relating to such statements, and see "Risk Factors" in Item 1A of Part I of this annual report for a discussion of certain risk factors applicable to our business, financial condition and results of operations.

#### Executive Summary

Among the highlights in 2009:

- Windstream completed the acquisitions of D&E Communications, Inc. ("D&E") and Lexcom, Inc. ("Lexcom") on November 10, 2009 and December 1, 2009, respectively. The Company expects to achieve significant synergies through the combination of these companies with existing Windstream operations.
- Access lines, excluding the access lines acquired from D&E and Lexcom of 145,000 and 22,000, respectively, declined 143,000 or 4.8 percent, compared to a decline of 165,000 or 5.2 percent for the same period in 2008. (See "Business Trends").
- High-speed Internet customers, excluding the customers acquired from D&E and Lexcom of 45,000 and 9,000, respectively, increased 98,900 or 10.1 percent, compared to an increase of 107,400 or 12.3 percent for the same period in 2008. (See "Business Trends").
- Revenues and sales, excluding post acquisition D&E and Lexcom revenues of \$20.1 million and \$3.3 million, respectively, decreased \$198.3 million, or 6 percent, for the year ended December 31, 2009 as compared to the same period in 2008. This decline was primarily due to the decline in access lines, declines in product sales associated with the disposition of the out of territory product distribution operations during the third quarter of 2009, and general declines in product sales to business customers. Partially offsetting these decreases were increases attributable to growth in high-speed Internet customers as discussed above.
- Operating income, excluding post acquisition D&E and Lexcom operating income of \$4.5 million and \$1.1 million, respectively, decreased \$181.1 million, or 16.0 percent, during 2009 as compared to 2008. The decline in operating income during 2009 is attributable to the impacts of pension expense, revenue declines associated with continued access line losses and the amortization of franchise rights.
- During 2009, the Company generated cash flows from operations of \$1,120.8 million, an increase of 3.7 percent compared to 2008. This increase was primarily due to expense management initiatives and lower cash taxes. Cash flows from operations were used to repurchase \$121.3 million of the Company's common stock and to pay \$437.4 million in dividends in 2009.

As further discussed in strategic transactions, the acquisition of NuVox, Inc. ("NuVox") was completed on February 8, 2010, and we expect to complete the acquisition of Iowa Telecommunications Services, Inc. ("Iowa Telecom") in mid 2010.

Also during 2010, we expect that competition in the telecommunications industry will continue to present significant challenges. In addressing competition, the Company will continue to focus its efforts on increasing sales of next generation data products, increasing high-speed Internet penetration and expanding its service offerings and distribution channels.

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### Business Trends

The following is a discussion of trends affecting Windstream's operations.

- *Access line losses:* Wireline voice and switched access revenues are expected to continue to be adversely impacted by future declines in access lines due to competition in the telecommunications industry from cable television providers, wireless communications providers, and providers using other emerging technologies. As of December 31, 2009, all of the Company's access lines had wireless competition and approximately 64 percent of the Company's access lines had fixed line voice competition, which represented an increase in fixed line competition of approximately 4 percent from December 31, 2008. After removing the impact of residential lines acquired from D&E and Lexcom of 82,000 and 15,000, respectively, residential lines decreased 87,000, or 4.5 percent during 2009, primarily due to the effects of competition. After removing the impact of business lines acquired from D&E and Lexcom of 63,000 and 7,000, respectively, business lines decreased 48,000, or 5.3 percent during 2009, primarily due to weakness in the general economic environment, competitive pressures, and the migration of services to larger circuits with enhanced functionality representing lost access lines but not a lost customer relationship. We believe weakness in the economic environment has caused some businesses to close or reduce staff, which has had a corresponding impact on the demand for business access lines. Continued weakness in the general economic environment may contribute to further acceleration of line losses.
- *Product bundles:* To combat competitive pressures, the Company continues to emphasize its bundled products and services. Our residential customers can bundle local phone, high-speed Internet, long distance and video services. These bundles provide customers with one convenient location to obtain all their communications and entertainment needs, a convenient billing solution and bundle discounts. Operating trends for access lines and high-speed Internet customers were favorably impacted during the second half of the year by the Company's latest bundle promotion, which offers a price for life guarantee and package discount on its local phone, unlimited national calling and high-speed Internet bundle. In addition, during the second quarter of 2009, we began offering bundle discounts to businesses that choose to bundle their phone, high-speed Internet and long distance services with Windstream. We believe that product bundles positively impact our customer retention, and the associated discounts provide our customers the best value for their communications and entertainment needs. In an effort to further develop enhanced services and bundled product offerings, the Company will continue to invest in its network to offer faster speeds in its high-speed Internet offerings. As of December 31, 2009, the Company could deliver speeds of 3Mb to approximately 96 percent of its addressable lines. Additionally, speeds of 6Mb and 12Mb are available to approximately 65 percent and 34 percent of its high-speed Internet addressable lines, respectively.
- *High-speed Internet:* Growth in high-speed Internet sales, together with the continued migration to higher speeds, are expected to continue to offset some of the revenue declines from the unfavorable access line trends discussed above. After removing the impact of high-speed Internet customers acquired from D&E and Lexcom of 45,000 and 9,000, respectively, the Company added approximately 98,900 high-speed Internet customers during 2009, representing an approximate increase in high-speed Internet customers of 10.1 percent. As of December 31, 2009, Windstream provided high-speed Internet service to approximately 37.4 percent of total access lines in service, and 55.1 percent of primary residential access lines in service. As of December 31, 2009, approximately 75 percent of total access lines had high-speed Internet competition, primarily from cable service providers, which is relatively unchanged from December 31, 2008. We expect the pace of high-speed Internet customer growth to slow as the number of households without high-speed Internet service continues to shrink. Competitive expansions, primarily from cable facilities, into our service areas are expected to slow in 2010, but we could experience some increased competition from high-speed Internet offerings from wireless competitors.
- *Business data and special access:* Wireline revenues and sales are expected to be favorably impacted by growth in next generation data services provided to business customers. During 2009, revenues from next generation services such as VPN and VLS grew 21.9 percent to approximately \$45.9 million, excluding the impact of D&E and Lexcom. Likewise, due to continued trends toward increasing data traffic, we expect growth in special access revenues from the provisioning of circuits to wireless and other carriers. However, weakness in the general economic environment may have the effect of suppressing near term growth in these revenues.
- *Operational efficiencies:* We continue to evaluate our operating structure to identify opportunities for increased operational efficiency and effectiveness. Among other things, this involves evaluating opportunities for task automation, network efficiency and the balancing of our workforce based on the current needs of our customers. As a result of these efforts, the Company successfully reduced its cost of services by approximately \$80.0 million in 2009, excluding the impact of D&E and Lexcom and pension expense (see "Cost of Services"). As part of this continuing effort, the Company announced a work force reduction in the third quarter of 2009. In conjunction therewith, we recognized restructuring charges of approximately \$9.3 million. The Company expects to realize annual savings approximating \$20.0 million from this workforce reduction.

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- *Pension expenses and funding:* During 2009, the fair market value of Windstream's pension plan assets have increased 19.9 percent from approximately \$654.0 million to \$784.0 million. This increase is primarily due to a return on plan assets of \$152.0 million, or 23.2 percent, transfers from the D&E pension plan (see Note 8) of \$61.4 million and contributions of \$3.3 million. Partially offsetting these increases were \$51.1 million in routine benefit payments, \$35.6 million of lump sum distributions and administrative expenses. The Company does not expect to make any contributions to the plan in 2010. The amount and timing of future contributions will depend on various factors including future investment performance, the finalization of funding regulations, changes in future discount rates and changes in demographics of the population participating in the Company's qualified pension plan.

## **STRATEGIC TRANSACTIONS**

### Pending Transactions

On November 23, 2009, we entered into an agreement and plan of merger, pursuant to which we will acquire all of the issued and outstanding shares of common stock of Iowa Telecom based in Newton, Iowa. Under the terms of the Iowa Telecom merger agreement, Iowa Telecom shareholders will receive 0.804 shares of common stock of Windstream and \$7.90 in cash per each share of Iowa Telecom common stock. We expect to issue approximately 26.5 million shares of Windstream common stock and pay approximately \$261.0 million in cash as part of the transaction. We also expect to repay estimated net debt of approximately \$598.0 million. This acquisition is expected to close in mid-2010, subject to certain conditions including receipt of necessary approvals from federal and state regulators and Iowa Telecom shareholders. As of September 30, 2009, Iowa Telecom provided services to approximately 256,000 access lines, 95,000 high-speed Internet customers and 26,000 digital TV customers in Iowa and Minnesota. The completion of this acquisition will provide the Company with increased scale and opportunities for approximately \$35.0 million in operating synergies with existing Windstream operations.

### Acquisitions

On February 8, 2010, we completed our previously announced acquisition of NuVox, a competitive local exchange carrier based in Greenville, South Carolina. Consistent with the Company's focus on growing revenues from business customers, the completion of the NuVox acquisition added approximately 90,000 business customer locations in 16 contiguous Southwestern and Midwest states and provides opportunities for approximately \$30.0 million in operating synergies with contiguous Windstream markets. NuVox's services include voice over internet protocol, local and long-distance voice, broadband internet access, email, voicemail, web hosting, secure electronic data storage and backup, internet security and virtual private networks. Many of these services are delivered over a secure, privately-managed IP network, using a multiprotocol label switch backbone and distributed IP voice switching architecture.

In accordance with the NuVox merger agreement, Windstream acquired all of the issued and outstanding shares of common stock of NuVox for \$199.0 million in cash, net of cash acquired, and issued approximately 18.7 million shares of Windstream common stock valued at \$187.0 million on the date of issuance. Windstream also repaid outstanding indebtedness and related liabilities on existing swap agreements of NuVox approximating \$281.0 million.

On November 10, 2009, we completed our previously announced merger with D&E, which as of the date of acquisition served approximately 110,000 incumbent local exchange carrier access lines, 35,000 competitive local exchange carrier access lines, 45,000 high-speed Internet customers and 9,000 cable television customers. This acquisition increased Windstream's presence in Pennsylvania and provides the opportunity for approximately \$25.0 million in operating synergies with contiguous Windstream markets. Pursuant to the merger agreement, Windstream acquired all of the issued and outstanding shares of common stock of D&E, and D&E merged with and into a wholly-owned subsidiary of Windstream.

In accordance with the D&E Merger Agreement, D&E shareholders received 0.650 shares of Windstream common stock and \$5.00 in cash per each share of D&E Common Stock. Windstream issued approximately 9.4 million shares of its common stock valued at approximately \$94.6 million, based on Windstream's closing stock price of \$10.06 on November 9, 2009, and paid \$56.6 million, net of cash acquired, as part of the transaction. Subsequently, Windstream repaid outstanding debt of D&E totaling \$182.4 million.

On December 1, 2009, we completed our previously announced acquisition of Lexcom, which as of the date of acquisition served approximately 22,000 access lines, 9,000 high-speed Internet customers and 12,000 cable television customers in North Carolina. This acquisition increased Windstream's presence in North Carolina and provides the opportunity for approximately \$5.0 million in operating synergies with contiguous Windstream markets. In accordance with the Lexcom merger agreement, Windstream acquired all of the issued and outstanding shares of Lexcom for approximately \$138.7 million in cash, net of cash acquired.

On August 31, 2007, Windstream completed the acquisition of CT Communications, Inc. ("CTC") in a transaction valued at \$584.3 million. Under the terms of the agreement, the shareholders of CTC received \$31.50 in cash for each

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of their shares with a total cash payout of \$652.2 million. The transaction value also includes a payment of \$37.5 million made by Windstream to satisfy CTC's debt obligations, offset by \$105.4 million in cash and short-term investments held by CTC. Including \$25.3 million in severance and other transaction-related expenses, the total cost of the acquisition was \$609.6 million. Windstream financed the transaction using the cash acquired from CTC, \$250.0 million in borrowings available under its revolving line of credit, and additional cash on hand. The premium paid by Windstream in this transaction is attributable to the strategic importance of the CTC acquisition. The acquisition of CTC significantly increased Windstream's operating presence in North Carolina through the addition of approximately 132,000 access lines and 31,000 high-speed Internet customers and provided the opportunity to generate significant operating efficiencies with contiguous Windstream markets.

### Dispositions

On August 21, 2009, Windstream completed the sale of its out of territory product distribution operations to Walker and Associates of North Carolina, Inc. ("Walker") for approximately \$5.3 million in total consideration. The out of territory product distribution operations primarily consisted of product inventory with a carrying value of \$4.9 million and customer relationships outside of Windstream's telecommunications operating territories. These operations were not central to the Company's strategic goals in its core communications business. Product revenues from these operations totaled \$38.5 million and \$76.2 million during 2009 and 2008, respectively, with related cost of products sold of \$34.3 million and \$68.3 million for the same periods in 2009 and 2008, respectively. In conjunction with this transaction, Windstream recognized a gain of \$0.4 million in other income, net in its consolidated statements of income in 2009.

On November 21, 2008, Windstream completed the sale of its wireless business to AT&T Mobility II, LLC for approximately \$56.7 million. The completion of this transaction resulted in the divestiture of approximately 52,000 wireless customers, spectrum licenses and cell sites covering a four-county area of North Carolina with a population of approximately 450,000 and six retail locations. The operating results of the wireless business have been separately presented as discontinued operations in the accompanying consolidated statements of income (see Note 3).

On November 30, 2007, Windstream completed the split off of its directory publishing business (the "publishing business") in a tax-free transaction with entities affiliated with Welsh, Carson, Anderson & Stowe ("WCAS"), a private equity investment firm and Windstream shareholder.

To facilitate the split off transaction, Windstream contributed the publishing business to a newly formed subsidiary ("Holdings"). Holdings paid a special cash dividend to Windstream in an amount of \$40.0 million, issued additional shares of Holdings common stock to Windstream, and distributed to Windstream certain debt securities of Holdings having an aggregate principal amount of \$210.5 million. Windstream exchanged the Holdings debt securities for outstanding Windstream debt securities with an equivalent fair market value, and then retired those securities. Windstream used the proceeds of the special dividend to repurchase approximately three million shares of Windstream common stock during the fourth quarter of 2007. Windstream exchanged all of the outstanding equity of Holdings (the "Holdings Shares") for an aggregate of 19,574,422 shares of Windstream common stock (the "Exchanged WIN Shares") owned by WCAS, which were then retired. Based on the price of Windstream common stock of \$12.95 at November 30, 2007, the Exchanged WIN Shares had a value of \$253.5 million. The total value of the transaction was \$506.7 million, including an adjustment for net working capital of approximately \$2.7 million. As a result of completing this transaction, Windstream recorded a gain on the sale of its publishing business of \$451.3 million in the fourth quarter of 2007, after substantially all performance obligations had been fulfilled.

In connection with the consummation of the transaction, the parties and their affiliates entered into a publishing agreement whereby Windstream granted Local Insight Yellow Pages, Inc. ("Local Insight Yellow Pages"), the successor to the Windstream subsidiary that once operated the publishing business, an exclusive license to publish Windstream directories in each of its markets other than the newly acquired CTC markets. Local Insight Yellow Pages will, at no charge to Windstream or its affiliates or subscribers, publish directories with respect to each Windstream service area covered under the agreement in which Windstream or its affiliates are required to publish such directories by applicable law, tariff or contract. Subject to the termination provisions in the agreement, the publishing agreement will remain in effect for a term of fifty years. As part of this agreement, Windstream agreed to forego future royalty payments from Local Insight Yellow Pages on advertising revenues generated from covered directories for the duration of the publishing agreement. The wireline segment recognized approximately \$56.0 million in royalty revenues during the eleven months ended November 30, 2007.

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### ORGANIZATION AND RESULTS OF OPERATIONS

The Company is organized based on the products and services that it offers. Under this organizational structure, its operations consisted of its wireline and directory publishing operations. The Company's wireline segment offers, on a retail basis, its IP-based voice and data services and advanced phone systems for businesses and government agencies, high-speed Internet, phone, long distance, network access and video services and related product offerings.

The Company has historically reported a product distribution segment, but in the first quarter of 2009 the Company reorganized its operations to integrate the sales and administrative functions of the product distribution segment into its wireline operations. As a result of this change, the chief operating decision maker no longer reviews the financial statements of the product distribution operations on a stand alone basis, and the Company operates its wireline and product distribution operations as a single reporting segment ("the wireline segment"). As required by the authoritative guidance for segment presentation, segment results of operations have been retrospectively adjusted to reflect this change for all periods presented.

(Millions)	2009	2008	2007
<b>Segment revenues and sales:</b>			
Wireline	\$ 2,996.6	\$ 3,171.5	\$ 3,179.6
Directory Publishing	-	-	123.0
Total business segment revenues and sales	2,996.6	3,171.5	3,302.6
Less affiliated eliminations	-	-	(56.7)
Consolidated revenue and sales	2,996.6	3,171.5	3,245.9
<b>Segment income:</b>			
Wireline	979.2	1,138.6	1,152.8
Directory Publishing	-	-	5.3
Total business segment income	979.2	1,138.6	1,158.1
Merger and integration costs	(22.3)	(6.2)	(8.2)
Consolidated operating income	956.9	1,132.4	1,149.9
Other income, net	(1.1)	2.1	11.1
Gain on sale of directory publishing business and other assets	-	-	451.3
Interest expense	(410.2)	(416.4)	(444.4)
Income from continuing operations before income taxes	545.6	718.1	1,167.9
Income taxes	211.1	283.2	251.5
Income from continuing operations	334.5	434.9	916.4
Discontinued operations, net of tax	-	(22.2)	0.7
Net income	\$ 334.5	\$ 412.7	\$ 917.1

Consolidated revenues and sales decreased \$174.9 million, or 5.5 percent in 2009 and decreased \$74.4 million, or 2.3 percent in 2008. The decrease in 2009 is primarily due to continued access line losses and the associated impact on revenues. The decrease in 2008 is primarily due to the sale of the Company's directory publishing business in the fourth quarter of 2007, as discussed above, and declines associated with continued access line losses, partially offset by increases in high-speed Internet customers and the acquisition of CTC.

See below a detailed discussion and analysis of segment revenues and sales in our discussion of segment operating results.

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### The following discussion and analysis details results for each of Windstream's operating segments

#### Wireline Segment

The following table reflects the Company's wireline operating results as of December 31:

#### Wireline Operations (a,b)

(Millions, access lines and customers in thousands)

	2009	2008	2007
<b>Revenues and sales:</b>			
Voice service	\$ 1,116.2	\$ 1,195.1	\$ 1,246.8
Data and special access	825.9	768.2	682.6
Switched access and USF	534.1	599.7	613.7
Long distance	258.7	266.6	242.2
Miscellaneous	137.9	159.3	214.0
Product sales	123.8	182.6	180.3
Total revenues and sales	2,996.6	3,171.5	3,179.6
<b>Costs and expenses:</b>			
Cost of services	1,006.8	1,005.4	1,007.7
Cost of products sold	107.5	169.8	153.8
Selling, general, administrative and other	356.0	356.5	354.7
Depreciation and amortization	537.8	492.7	506.0
Restructuring charges	9.3	8.5	4.6
Total costs and expenses	2,017.4	2,032.9	2,026.8
<b>Segment income</b>	\$ 979.2	\$ 1,138.6	\$ 1,152.8
<b>Access lines in service (c)</b>			
Residential (c)	1,959.4	1,951.3	2,089.4
Business (c)	938.4	919.5	937.3
Wholesale (d)	16.6	20.0	30.8
Special circuits	116.1	116.0	113.8
Total access lines in service	3,030.5	3,006.8	3,171.3
Average access lines in service	2,945.6	3,093.2	3,158.0
Average service revenue per customer per month (e)	\$81.27	\$80.52	\$77.96
High-speed Internet customers	1,132.1	978.8	871.4
Digital television customers (c)	369.4	297.0	227.4

- (a) Results from wireline operations include results from the former CTC operations following their acquisition on August 31, 2007, results from the former D&E operations following their acquisition on November 10, 2009 and results from the former Lexcom operations following their acquisition on December 1, 2009. In the discussion and analysis provided below regarding changes in wireline revenues and expenses in 2009 and 2008, the impact of the acquisitions on these changes is considered to be the revenues and expenses recognized during the period of each year for which results from the acquired operations are not included in the comparative period of the prior year.
- (b) Certain prior year revenues and expenses were reclassified to reflect the current presentation and these changes had no impact on segment income.
- (c) As part of the integration of D&E and Lexcom, the Company reviewed and updated its methodology for counting and reporting certain key customer metrics. As a result, the Company began reporting digital television customers as a key metric, which combines the Company's total digital satellite television customer counts with its cable television customer counts. Commensurate with this change, cable television customers were removed from the Company's access line counts where they have been historically reported. These changes have been retrospectively applied to all periods presented.
- (d) Wholesale units include unbundled network elements and pay stations.
- (e) Average service revenue per customer per month is calculated by dividing service revenues by average access lines in service for the period.

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### Voice Service Revenues

Voice service revenues consist of traditional telephone services provided to both residential and business customers. These revenues primarily represent monthly recurring charges for basic services such as local dial-tone and enhanced services such as caller identification, voicemail and call waiting. The following table reflects the primary drivers of year-over-year changes in voice service revenues:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 6.7		\$ -	
Due to Lexcom acquisition	0.7		-	
Due to CTC acquisition	-		40.6	
Due to decreases in ala carte calling features (a)	(21.2)		(20.3)	
Due to decreases in local number portability surcharge (b)	-		(6.0)	
Due to access line losses and other (c)	(65.1)		(66.0)	
Total voice service	\$ (78.9)	(7)%	\$ (51.7)	(4)%

- (a) Decreases in ala carte features, which includes caller identification, call waiting, call forwarding, voice mail and other similar services, were attributable to the decline in access lines, customers electing to discontinue these enhanced services and the impact of discounts on these services when included in product bundles.
- (b) Decreases in voice service revenues during 2008 were due, in part, to the expiration in 2007 of a five-year period during which the Company was allowed to bill customers a surcharge to recover costs associated with local number portability.
- (c) Decreases in access line losses and other during both years are attributable to declines in access lines, as previously discussed, and the migration of certain customers to Windstream's Greenstreak voice service. Greenstreak is a metered voice service, which is priced at a discount as compared to traditional voice services.

### Data and Special Access Revenues

Data and special access revenues primarily consist of retail high-speed Internet services, the provision of virtual private network, virtual LAN and other next generation data services to business customers, and the provision of special access services to wholesale customers. The following table reflects the primary drivers of year-over-year changes in data and special access revenues:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 6.0		\$ -	
Due to Lexcom acquisition	0.7		-	
Due to CTC acquisition	-		22.8	
Due to increases in high-speed Internet customers	41.6		46.7	
Due to increases in next generation data services (a)	8.3		6.1	
Due to increases in special access revenues (b)	6.5		19.9	
Due to decreases in mature data services (c)	(4.9)		(4.0)	
Other	(0.5)		(5.9)	
Total data and special access	\$ 57.7	8%	\$ 85.6	13%

- (a) Increases in next generation data services were attributable to customer demand for these services and geographic expansion.
- (b) Increases in special access revenues, which primarily represent monthly flat-rate charges for dedicated circuits and virtual networking services, were primarily attributable to demand from wireless and other carriers.
- (c) Decreases in mature data services, which primarily include private line and integrated services digital network, or ISDN, were primarily attributable to customer migration to next generation data services.

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### Switched Access and USF Revenues

Switched access and Universal Service Fund ("USF") revenues include usage sensitive charges to long distance companies for access to the Company's network in connection with the completion of interstate and intrastate long distance calls, as well as receipts from federal and state universal service funds that subsidize the cost of providing wireline services. The following table reflects the primary drivers of year-over-year changes in switched access and USF revenues:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 3.8		\$ -	
Due to Lexcom acquisition	1.0		-	
Due to CTC acquisition	-		16.1	
Due to decreases in switched access revenues (a)	(44.4)		(19.8)	
Due to settlement of inter-carrier traffic dispute in 2007 (b)	-		(13.3)	
Due to changes in state USF support (c)	(11.6)		13.1	
Due to decreases in federal USF support (d)	(7.8)		(2.5)	
Due to decreases in federal USF surcharge revenue (e)	(6.6)		(7.6)	
Total switched access and USF	\$ (65.6)	(11)%	\$ (14.0)	(2)%

- (a) Decreases in switched access revenues are predominately due to the decline in minutes of use, which can be attributed to a decline in access lines and reduced long distance usage. In addition, reductions in switched access rates implemented July 1, 2008 and July 1, 2009, discussed further below, contributed \$4.9 million and \$2.6 million to the year-over-year decline in these revenues during 2009 and 2008, respectively.
- (b) Decreases in switched access revenues in 2008 were attributable to a favorable settlement in 2007 of an inter-carrier traffic dispute with another carrier.
- (c) Decreases in state USF revenues in 2009 were attributable to declines in access lines and eligible recoverable costs. Future declines in access lines will result in proportionate declines in state USF support. The increase in USF support in 2008 is primarily due to unfavorable state USF assessment made against the Company in 2007.
- (d) Decreases in federal USF support were due to the conversion to price-cap regulation as further discussed below.
- (e) Decreases in federal USF surcharge revenue were primarily due to the elimination of contribution requirements for high-speed Internet services effective with the conversion to price-cap regulations on July 1, 2008.

The conversion to price-cap regulation on July 1, 2008 resulted in the transition of support received under the interstate common line support ("ICLS") program to a fixed monthly dollar amount of support per access line. Historically, that support was based largely on recoverable costs and network investments. As a result of this change, future receipts from the program are expected to decline in proportion to future access line losses.

Also as a result of converting to price-cap regulation, the Company initiated a phased reduction of interstate access rates to achieve an ultimate rate of \$0.0065 per minute by 2012. On July 1, 2009, the Company implemented another phase of rate reductions, bringing its current composite interstate access rate to approximately \$0.0090. As a result of this change, access revenues are expected to decline by approximately \$3.5 million over the next twelve months, with smaller reductions required in subsequent years.

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### Long Distance Revenues

Long distance revenues are generated from switched interstate and intrastate long distance, long distance calling cards, international calls and operator services. The following table reflects the primary drivers of year-over-year changes in long distance revenues:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 1.7		\$ -	
Due to Lexcom acquisition	0.1		-	
Due to CTC acquisition	-		6.8	
Due to decreases in one plus calling (a)	(21.4)		(17.4)	
Due to increase in customer billing rates, implemented fourth quarter of 2007	-		10.4	
Due to increases in packaged plans (b)	19.2		33.7	
Other (c)	(7.5)		(9.1)	
Total long distance	\$ (7.9)	(3)%	\$ 24.4	10%

- (a) Decreases in one plus calling were primarily due to the decline in access lines and declines in usage-based long distance billings as customers have migrated to packaged plans.
- (b) Increases in packaged plans resulted from migrations to plans that offer a defined number of minutes or unlimited toll calling for a fixed monthly fee instead of usage-based one plus calling. As of December 31, 2009, 54 percent of our long distance customers subscribed to packaged plan options, which represents an increase in packaged plans of approximately 9 percent from December 31, 2008.
- (c) Decreases in other long distance revenues were primarily due to the decline in access lines.

### Miscellaneous Revenues

Miscellaneous revenues primarily consist of charges for service fees, rentals and billing and collections services. Also included in miscellaneous revenues are retail billings for cable television service and commissions earned from activations of digital satellite television service. The following table reflects the primary drivers of year-over-year changes in miscellaneous revenues:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 1.8		\$ -	
Due to Lexcom acquisition	0.8		-	
Due to CTC acquisition	-		7.1	
Due to decreases in network management services performed for Alltel (a)	(12.5)		(3.4)	
Due to decrease in publishing right revenues (b)	-		(45.0)	
Due to increases in digital satellite television revenues	1.4		2.8	
Due to decreases in service fees and other (c)	(12.9)		(16.2)	
Total miscellaneous	\$ (21.4)	(13)%	\$ (54.7)	(26)%

- (a) Decreases in network management services performed for Alltel were due to Alltel's transition of these services to their own network. We billed Alltel approximately \$2.1 million and \$14.7 million for these services during 2009 and 2008, respectively.
- (b) Decreases in publishing right revenues in 2008 are due to the split-off of the Company's directory publishing business completed on November 30, 2007 as previously discussed.
- (c) Decreases in service fees were attributable to the reduction in access lines.

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### Product Sales

Product sales represent equipment sales to customers, including high-speed Internet modems and customer premise equipment, as well as sales of computers to residential high-speed Internet customers. The following table reflects the primary drivers of year-over-year changes in product sales revenues:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 0.1		\$ -	
Due to CTC acquisition	-		2.1	
Due to decreases associated with disposal of the out of territory product distribution operations	(37.7)		-	
Due to decreases in business product sales (a)	(24.8)		(5.8)	
Due to increases in residential product sales (b)	3.6		6.0	
Total product sales	\$ (58.8)	(32)%	\$ 2.3	1%

- (a) Decreases in business product sales during both periods were primarily due to lower demand for these products, which we believe was attributable to the postponement of purchasing decisions by some businesses as a result of weakness in the overall economic environment.
- (b) Increases in residential product sales during both periods were primarily attributable to sales of equipment that accompany Windstream's broadband service offerings.

### Average Service Revenue per Customer

Average service revenue per customer per month increased 1 percent and 3 percent in 2009 and 2008, respectively, primarily due to high-speed Internet customer growth and pricing increases on long distance services, as discussed above. Future growth in average service revenue per customer per month will depend on the Company's success in sustaining growth in sales of high-speed Internet and other enhanced services to new and existing customers.

### Cost of Services

Cost of services primarily consist of network operations costs, including salaries and wages, employee benefits, materials, contract services and information technology costs to support the network. Cost of services also include interconnection expense, bad debt expense and business taxes. The following table reflects the primary drivers of year-over-year changes in cost of services:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 7.3		\$ -	
Due to Lexcom acquisition	1.1		-	
Due to CTC acquisition	-		28.6	
Due to changes in pension expense (a)	74.0		(11.8)	
Due to increases in bad debt expense (b)	5.9		9.9	
Due to decreases in business taxes (c)	(5.7)		(14.7)	
Due to decreases in USF expense (d)	(6.6)		(7.6)	
Due to decreases in other employee benefits (e)	(15.9)		(6.6)	
Due to decreases in network operations expense (f)	(28.4)		(9.8)	
Due to changes in interconnection expense (g)	(32.0)		10.6	
Other	1.7		(0.9)	
Total cost of services	\$ 1.4	0%	\$ (2.3)	0%

- (a) The increase in pension expense during 2009 is attributable to the amortization of losses sustained on pension plan assets during the 2008 plan year.
- (b) Increases in bad debt expense in both periods were primarily due to non-pay disconnects and other account write-offs.

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- (c) Decreases in business taxes for both periods were attributable to a lower assessment for property and sales and use taxes.
- (d) Decreases in federal USF contributions were primarily due to the eliminations of contributions required for high-speed Internet services effective with the conversion to price-cap regulation on July 1, 2008, as previously discussed.
- (e) The decrease in other employee benefits was primarily due to the reduction in postretirement benefits announced in the third quarter of 2008, with additional reductions attributable to the impact of the workforce reduction announced in the fourth quarter of 2008, as well as changes in other benefit programs.
- (f) Decreases in network operations during 2009 were primarily attributable to the workforce reductions announced in the fourth quarter of 2008 and third quarter 2009, and reductions in fuel costs. Decreases in 2008 were primarily due to lower contract labor costs.
- (g) Changes in interconnection expenses, or costs incurred by the Company to access the public switched network and to transport traffic to the Internet, in 2009 were due to the favorable impact of network efficiency projects, the impact of access line losses and rate reductions. Partially offsetting these decreases were increases associated with purchases of higher capacity circuits to service the growth in high-speed Internet customers. Increases in 2008 were primarily attributable to increases in Internet customers and increases in the volume of long distance traffic resulting from the increases in customers on packaged and unlimited usage rate plans, as previously discussed.

## Cost of Products Sold

Cost of products sold represent the cost of equipment sales to customers, including sales of high-speed Internet modems and customer premise equipment, as well as sales of computers to residential high-speed Internet customers. The following table reflects the primary drivers of year-over-year changes in cost of products sold:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 0.2		\$ -	
Due to CTC acquisition	-		2.9	
Due to decreases associated with disposal of the out of territory product distribution operations	(34.0)		-	
Due to changes in residential cost of products sold (a)	(5.5)		10.3	
Due to changes in business cost of products sold and other (b)	(23.0)		2.8	
Total cost of products sold	\$ (62.3)	(37)%	\$ 16.0	10%

- (a) Changes in residential cost of products sold were primarily due to the mix of products sold.
- (b) Changes in business costs of product sold were consistent with the declines in business product sales in 2009.

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### Selling, General, Administrative and Other Expenses ("SG&A")

SG&A expenses result from sales and marketing efforts, advertising, information technology support systems, costs associated with corporate and other support functions and professional fees. These expenses also include salaries and wages and employee benefits not directly associated with the provision of services. The following table reflects the primary drivers of year-over-year changes in SG&A expenses:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 2.9		\$ -	
Due to Lexcom acquisition	0.4		-	
Due to CTC acquisition	-		13.9	
Due to changes in pension expense (a)	18.3		(3.0)	
Due to impairment loss on acquired assets held for sale (b)	(6.5)		6.5	
Due to decreases in other employee benefits expense (c)	(4.5)		(5.9)	
Due to decreases in advertising and distribution expense	(1.6)		(5.3)	
Due to decreases in general and administrative expense and other (d)	(9.5)		(4.4)	
Total selling, general, administrative and other expenses	\$ (0.5)	0%	\$ 1.8	1%

- (a) The increase in pension expense during 2009 is attributable to the amortization of losses sustained on pension plan assets during the 2008 plan year.
- (b) During 2008, Windstream recognized a \$6.5 million non-cash impairment charge to adjust the carrying value of the Company's Wireless Communications Services and 39 GHz fixed wireless spectrum license to their estimated fair value. The fair market value of these assets was been reduced to a nominal amount due to the impairment, which resulted from general market conditions as well as limited interest on this bandwidth of spectrum.
- (c) Decreases in employee benefits expense during 2009 were primarily attributable to a reduction in postretirement benefits announced in the third quarter of 2008, with additional reductions attributable to the impact of the workforce reduction announced in the fourth quarter of 2008 and changes in other benefit programs.
- (d) Decreases in general and administrative fees during 2009 and 2008 were attributable to declines in regulatory fees that are based on access lines, improved insurance claims experience and the Company's continued efforts to contain costs.

### Depreciation and Amortization Expense

Depreciation and amortization expense primarily includes the depreciation of the Company's plant assets and the amortization of its definite-lived intangible assets. The following table reflects the primary drivers of year-over-year changes in depreciation and amortization expense:

(Millions)	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Increase (Decrease)	%	Increase (Decrease)	%
Due to D&E acquisition	\$ 5.1		\$ -	
Due to Lexcom acquisition	0.7		-	
Due to CTC acquisition	-		22.4	
Due to increase in amortization of franchise rights (a)	31.8		-	
Due to decrease in depreciation rates (b)	-		(38.9)	
Other	7.5		3.2	
Total depreciation and amortization expense	\$ 45.1	9%	\$ (13.3)	(3)%

- (a) Effective January 1, 2009, the Company began amortizing its franchise rights on a straight-line basis over an estimated useful life of 30 years. Previously, the Company had assigned an indefinite useful life to these assets but the effects of increasing competition resulted in a prospective change in their estimated useful life (see Note 2).

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- (b) Depreciation expense decreased in 2008 primarily due to the completion of studies of the Company's depreciable lives during 2007. Depreciable lives were revised to reflect the estimated remaining useful lives of wireline plant based on the Company's expected future network utilization and capital expenditure levels required to provide service to its customers (see Note 2).

### Restructuring Charges

Restructuring charges, consisting primarily of severance and employee benefit costs, are triggered by the Company's continued evaluation of its operating structure and identification of opportunities for increased operational efficiency and effectiveness. These costs should not necessarily be viewed as non-recurring. They are reviewed regularly by the Company's decision makers and are included as a component of compensation targets.

During the year ended December 31, 2009, Windstream recognized \$9.3 million in severance and employee benefit costs primarily related to the workforce reduction initiated during the third quarter of 2009 to better align the Company's focus on high-speed Internet and enterprise opportunities. The Company expects to realize annual savings of approximately \$20.0 million as a result of this initiative. During the first quarter of 2009, the Company recorded a \$0.1 million reduction in liabilities to reflect differences between estimated and actual costs paid associated with a work force reduction initiated during the fourth quarter of 2008. During the second quarter of 2009, the Company incurred \$0.1 million in severance and employee benefit costs associated with the closure of an out of territory sales and product distribution facility.

During the year ended December 31, 2008, the Company incurred \$8.5 million in severance and employee benefit costs primarily related to the announced workforce reduction in the fourth quarter of 2008 to control expenses in a challenging economy and the realignment of certain information technology, network operations and business sales functions.

### Merger and Integration Costs

Merger and integration costs are unpredictable by nature, and include costs incurred related to strategic transactions such as transaction costs, rebranding costs, system conversion costs and employee related transaction costs (see Note 10). Set forth below is a summary of merger and integration costs for the years ended December 31:

(Millions)	2009	2008	2007
Wireline Segment			
Merger and integration costs			
Transaction costs associated with acquisitions	\$ 11.4	\$ 0.1	\$ 0.7
Employee related transaction costs	8.6	-	-
Computer system and conversion costs	1.6	6.1	2.5
Signage and other rebranding costs	0.7	-	1.3
Total wireline merger and integration costs	\$ 22.3	\$ 6.2	\$ 4.5

### Regulatory Matters

Our incumbent local exchange carrier subsidiaries (collectively the "ILECs") are regulated by both federal and state agencies. Our interstate products and services and the related earnings are subject to federal regulation by the Federal Communications Commission ("FCC") and our local and intrastate products and services and the related earnings are subject to regulation by state Public Service Commissions ("PSCs"). The FCC has principal jurisdiction over matters including, but not limited to, interstate switched and special access rates, as well as high-speed Internet service offerings. It also regulates the rates that ILECs may charge for the use of their local networks in originating or terminating interstate and international transmissions. The PSCs have jurisdiction over matters including local service rates, intrastate access rates, quality of service, the disposition of public utility property and the issuance of securities or debt by the local operating companies.

### Federal Regulation and Legislation

Communications services providers are regulated differently depending primarily upon the network technology used to deliver the service. This patchwork regulatory approach advantages certain companies and disadvantages others. It impedes market-based competition where service providers using different technologies exchange telecommunications traffic and compete for customers.

From time to time federal legislation is introduced dealing with various matters that could affect our business. Most proposed legislation of this type never becomes law. It is difficult to predict what kind of reform efforts, if any, may be introduced in Congress and ultimately become law. Windstream strongly supports the modernization of the nation's telecommunications laws, but at this time, cannot predict the timing and the resulting financial impact of any possible federal legislative efforts.

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On February 17, 2009, the American Recovery and Reinvestment Bill of 2009 was signed into law that includes various financial incentives to qualifying entities for the expansion of broadband services in both unserved and underserved communities throughout the nation. The legislation allocates approximately \$7.0 billion for the expansion of both wired and wireless broadband services. The Company elected not to participate in the application process for the first round of stimulus funding, which was released during 2009. After a careful review of the program rules, the Company determined that the rules applicable to the first round of funding did not allow for a sound and sustainable business case. The Company is currently reviewing the rules applicable to the second round of funding and evaluating whether it should participate in the application process.

As part of the American Recovery and Reinvestment Act ("ARRA"), Congress directed the FCC to report to Congress by mid-February with a National Broadband Plan. In conjunction with this report, it is expected that the FCC will consider a myriad of issues related to high-speed Internet access deployment and adoption and, among other things, may consider universal service and intercarrier compensation reform. On December 7, 2009, Windstream, CenturyTel, Inc, Frontier Communications Corporation, Consolidated Communications Holding, Inc and Iowa Telecom filed a plan with the FCC to reform the intercarrier compensation and universal service mechanisms and further deploy broadband in unserved areas. If adopted, the proposal would stabilize intercarrier compensation and universal support and provide additional funds to Windstream to assist with the deployment of broadband services to rural areas.

### Price-Cap Petition Granted by FCC

Effective July 1, 2008, the Company converted the majority of its remaining interstate rate-of-return regulated operations to price-cap regulation. Price-cap regulation better aligns the Company's continued efforts to improve its cost structure, because rates for interstate wholesale services are not required to be periodically adjusted based on the Company's cost structure, and under price-cap regulation, high-speed Internet services can be deregulated. As previously discussed, high-speed Internet services were deregulated effective July 1, 2008. Prior to the conversion, with the exception of our Nebraska and New Mexico operations, and a portion of our Kentucky, Oklahoma and Texas operations, our interstate ILEC operations were subject to rate-of-return regulation by the FCC.

### Inter-carrier Compensation

The Company's local exchange subsidiaries currently receive compensation from other telecommunications providers, including long distance companies, for origination and termination of interexchange traffic through network access charges that are established in accordance with state and federal laws.

On November 5, 2008, the FCC issued a further notice of proposed rulemaking ("FNPRM") that sought comment on proposals that would change the rules governing inter-carrier compensation. Proposals considered by the FNPRM would significantly reduce inter-carrier compensation revenues over a ten-year period, classify VoIP/public switch telephone network ("PSTN") traffic as an "information service," and adopt measures to ensure proper billing of "phantom traffic". Windstream strongly supports regulatory reform, but with the exception of the phantom traffic reforms, Windstream is opposed to the inter-carrier compensation proposals under consideration by the FNPRM. We have submitted an alternative proposal that includes a measured reduction in access rates, increases in subscriber line charges, and additional federal universal service support.

The FCC has received other proposals to reform inter-carrier compensation mechanisms. If the Commission acts, the outcome is likely to change the way the Company receives compensation from, and remits compensation to, other carriers and its end-user customers, as well as the federal universal service fund. Until these proceedings conclude and any changes to the existing rules are established, the Company cannot estimate the impact of any changes on its ILEC revenues or expenses or when such changes would occur.

### Universal Service

The federal universal service program is under legislative, regulatory and industry scrutiny as a result of the growth in the fund and structural changes within the telecommunications industry. The primary structural change is the increase in the number of Eligible Telecommunications Carriers ("ETCs") receiving money from the USF. There are several FCC proceedings underway that are likely to change the way the universal service programs are funded and the way universal service funds are disbursed to program recipients. The specific proceedings are discussed below.

On May 1, 2008, the FCC released an order adopting an interim, emergency cap on the amount of high-cost support that competitive ETCs may receive. Competitive ETC support will be capped in each state at the amount competitive ETCs were eligible to receive in such state during March 2008 on an annualized basis. The Company's high-cost support was not affected by the FCC's order.

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On November 5, 2008, the FCC issued a FNPRM seeking comment on proposals that would cap high-cost receipts based on the support each carrier is eligible to receive at December 2008 levels on an annualized basis. To continue receiving this support, high-cost recipients would have to certify that they would deploy specified high-speed Internet services throughout their supported areas over a five-year period. Areas for which high-cost recipients decline to make such certification would be subject to a reverse auction. The reserve price for the auction would be the amount the ILEC would be entitled to receive if it would have agreed to deploy high-speed Internet services throughout its service area. Bidders would need to be certified as an ETC by the respective state commission. The winning bidder would accept all carrier of last resort obligations. If the auction produced no winner, the area subject to the auction would be deemed a truly high-cost area and the FCC would determine what further actions would need to be taken to ensure the study area is served by a company willing to meet the broadband commitment and carrier of last resort requirements.

Proposals under consideration by the FNPRM also would eliminate the identical support rule, which allows competitive ETCs to receive the same per line support as the ILEC. Competitive ETCs, instead, would be required to file cost information to qualify for high-cost support.

In addition, the proposals under consideration would base the federal universal service contribution methodology on residential telephone numbers and business revenues. The FCC then would seek comment on whether it should begin using business connections, rather than revenues, to determine contributions from providers of business services. Without more specificity regarding the likely outcome of the proceeding, we cannot provide a meaningful estimate of the impact a change in carrier contribution obligations would have on our operations.

## State Regulation

### Local and Intrastate Rate Regulation

Most states in which our ILEC subsidiaries operate provide alternatives to rate-of-return regulation for local and intrastate services, either by law or PSC rules. We have elected alternative regulation for our ILEC subsidiaries in all states except New York. We continue to evaluate alternative regulation options in New York where our ILEC subsidiary remains subject to rate-of-return regulation.

### State Universal Service

We recognize revenue from state universal service funds in a limited number of states in which we operate. In 2009, Windstream recognized \$131.1 million in state universal service revenue. These payments are intended to provide additional support, beyond the federal universal service receipts, for the high cost of operating in rural markets. For the year ended December 31, 2009, Windstream received approximately \$97.8 million from the Texas USF. There are two high-cost programs of the Texas USF, one for large companies and another for small companies. In 2009, Windstream received \$85.5 million from the large company program and \$12.3 million from the small company program. The purpose of the Texas USF is to assist telecommunications providers in providing basic local telecommunications services at reasonable rates to customers in high cost rural areas and to qualifying low-income and disabled customers. By order of the Texas PUC, the Texas USF distributes support to eligible carriers serving areas identified as high cost, on a per-line basis. Texas USF support payments are based on the number of actual lines in service and therefore are subject to reductions when customers discontinue service or migrate to a competitive carrier. All customers of telecommunications services in Texas contribute to the Texas USF through the payment of a monthly surcharge by their customers.

The Pennsylvania PUC is currently conducting a review of its universal service fund. The review is focused on various aspects of the fund as they pertain to the basic rates of eligible USF recipient companies and the impact of their alternative regulation plans. The Company receives \$13.3 million annually from the fund. The Company cannot estimate at this time the financial impact, if any, that may result from changes to the Pennsylvania universal service fund.

In June 2006, the D&E subsidiaries made a filing to increase their local rates in accordance with their alternative regulation plans. Under the plans, local rates would have exceeded a prescribed local rate cap of \$18.00. The D&E subsidiaries sought to recover the revenues that exceeded the rate cap by increasing intrastate switched access rates. On July 11, 2007, the Pennsylvania PUC allowed the local rate increases to go into effect, but denied the proposed increases in switched access rates. The D&E subsidiaries filed a petition for reconsideration, asking in the alternative, to be permitted to recover revenues in excess of the local rate cap from the Pennsylvania universal service fund. On November 29, 2007, the Pennsylvania PUC approved the local rate increases and allowed the D&E subsidiaries to exceed the rate cap, but denied the request for increases in state universal service support. On May 9, 2008, the D&E subsidiaries filed an appeal in the Commonwealth Court seeking to reverse the above decisions. On December 15, 2009, the Commonwealth Court issued an order affirming the Pennsylvania PUC's decision. The Court's decision will not have a material impact on the Company's operations.

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### Inter-carrier Compensation

On October 5, 2007, Verizon filed a complaint with the Ohio PUC alleging that the Company's intrastate access rates are excessive and should be reduced to the same levels charged by the largest ILECs in Ohio, or in the alternative, to the Company's interstate access rate levels. If the Ohio PUC were to grant Verizon's request and require the Company to implement the large ILEC rate structure, the Company would incur a reduction in annual revenues of up to \$7.6 million. This estimate assumes the Company would be allowed to implement retail rate increases simultaneously with the access rate reductions similar to the plan adopted by the PUC for the larger Ohio ILEC access rate reductions. The Ohio PUC has not acted upon requests by other parties for the Company and other similar sized ILECs in Ohio to reduce their intrastate access rates.

On December 5, 2007 and February 22, 2008, Verizon filed complaints with the Kentucky PSC and the Georgia PSC very similar to the complaint filed in Ohio. In these cases, Verizon also alleges that the Company's intrastate access rates are excessive and should be reduced to the level currently charged by AT&T (formerly BellSouth).

The Company requested that the Ohio PUC, the Kentucky PSC and the Georgia PSC deny Verizon's requested relief based in part on the fact that the Company's intrastate access rates are just and reasonable and on the current efforts to reform inter-carrier compensation comprehensively at the federal level, as previously explained.

On March 19, 2009, AT&T filed a complaint with the Pennsylvania PUC alleging that the Company's intrastate access rates are not just and reasonable and should be reduced to the Company's interstate access rate levels.

On November 23, 2009, Sprint requested that the North Carolina Utilities Commission reduce the Company's access rates to a cost-basis or, in the alternative, to the Company's interstate access rate levels.

The Company will request that the Pennsylvania PUC and the North Carolina Utilities Commission deny AT&T's and Sprint's requested relief based in part on the fact that the Company's intrastate access rates are just and reasonable and on the current efforts to reform inter-carrier compensation comprehensively at the federal level, as previously explained.

At this time, the Company cannot estimate the financial impact of any PSC decision due to the various options the PSC could consider if it ruled in Complainant's favor that would affect the financial impact of the rate reductions, if any.

### Directory Publishing Segment

The following table reflects the Company's directory publishing segment results as of December 31:

(Millions)	2009	2008	2007
Revenues and sales:			
Directory publishing	\$ -	\$ -	\$ 123.0
Total revenues and sales	-	-	123.0
Costs and expenses:			
Cost of products sold	-	-	90.2
Selling, general, administrative and other	-	-	27.5
Total costs and expenses	-	-	117.7
Segment income	\$ -	\$ -	\$ 5.3

In the fourth quarter of 2007, the Company completed the split off of its directory publishing business, as previously discussed. Results in 2007 were derived from the publication of directories for affiliated and non-affiliated local exchange carriers.

Merger and integration costs related to the directory publishing were \$3.7 million for 2007 and were the result of transaction costs associated with the split off of the directory publishing business. These costs are not included in the determination of segment income.

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### The following discussion and analysis details Windstream's consolidated merger and integration and restructuring costs.

#### Merger, Integration and Restructuring Costs

Costs triggered by strategic transactions, including transaction costs, rebranding costs and system conversion costs are unpredictable by nature and are not included in the determination of segment income. Restructuring charges, consisting primarily of severance and employee benefit costs, are triggered by the Company's continued evaluation of its operating structure and identification of opportunities for increased operational efficiency and effectiveness. These costs should not necessarily be viewed as non-recurring.

Set forth below is a summary of merger and integration and restructuring costs recorded for the years ended December 31:

(Millions)	2009	2008	2007
Wireline merger and integration costs, as previously discussed	\$ 22.3	\$ 6.2	\$ 4.5
Directory Publishing merger and integration costs, as previously discussed	-	-	3.7
Total restructuring charges	9.3	8.5	4.6
Total merger, integration and restructuring costs	\$ 31.6	\$ 14.7	\$ 12.8

#### Summary of Liability Activity Related to Both Merger and Integration Costs and Restructuring Charges

The following table is a summary of liability activity related to both merger and integration costs and restructuring charges as of December 31:

(Millions)	2009	2008	2007
Accrued merger, integration and restructuring charges at beginning of period	\$ 8.3	\$ 14.7	\$ 28.9
Total merger and integration costs, net of non-cash charges	22.3	1.6	8.2
Total restructuring charges	9.3	8.5	4.6
CTC merger and integration costs included in goodwill	-	-	25.3
Merger, integration and restructuring charges paid	(33.3)	(16.5)	(52.3)
Accrued merger, integration and restructuring charges at end of period	\$ 6.6	\$ 8.3	\$ 14.7

As of December 31, 2009, the remaining liability of \$6.6 million for accrued merger, integration and restructuring charges consisted of \$0.4 million of Valor lease termination costs and \$6.2 million of accrued severance costs primarily associated with the integration of D&E and Lexcom. Valor lease payments will be made over the remaining term of the lease. The severance and related employee costs will be paid in 2010. Each of these payments will be funded through operating cash flows.

Merger, integration and restructuring costs decreased net income \$19.4 million, \$9.0 million and \$8.8 million for the years ended December 31, 2009, 2008 and 2007, respectively, giving consideration to tax benefits on deductible items. See Note 10 for additional information regarding these charges.

### The following discussion and analysis details results for Windstream's consolidated operating income and all other consolidated results presented below operating income.

Operating income decreased \$175.5 million, or 15.5 percent, in 2009 and \$17.5 million, or 1.5 percent, in 2008. The declines in 2009 were primarily due to the unfavorable impact of pension and amortization expense. In addition, operating income during both years was unfavorably impacted by revenue declines associated with continued access line losses. These declines were offset by the favorable impacts of high-speed Internet customer growth and expense management initiatives.

#### Other Income, Net

Set forth below is a summary of other income, net for the years ended December 31:

(Millions)	2009	2008	2007
Interest income on cash and short-term investments	\$ 1.4	\$ 2.7	\$ 12.3
Sale of investments	-	7.7	-
Mark-to-market of interest rate swap agreement	3.0	(5.8)	(3.1)
Interest expense on undesignated swaps	(4.7)	(2.3)	-
Other expense, net	(0.8)	(0.2)	1.9
Other income, net	\$ (1.1)	\$ 2.1	\$ 11.1

Other income, net decreased \$3.2 million in 2009 and decreased \$9.0 million in 2008.

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The decline in 2009 was primarily due to the recognition of a \$7.7 million gain from the sale of Company investments in 2008 and \$2.4 million additional interest expense on undesignated swaps, partially offset by the change in fair value of the undesignated portion of an interest rate swap agreement as discussed further in Note 2. Pursuant to the authoritative guidance on accounting for derivative financial instruments and hedging activities, as amended, changes in the market value of the undesignated portion of this interest rate swap are included in net income. The market value calculation of this interest rate swap is based on estimates of forward variable interest rates, and changes in estimated forward rates could result in significant non-cash increases or decreases in other income, net in future periods.

### Gain on Sale of Publishing Business

On November 30, 2007 Windstream completed the split off of its directory publishing business in a tax-free transaction with entities affiliated with WCAS. As a result of completing this transaction, Windstream recorded a gain of \$451.3 million in the fourth quarter of 2007 (see Note 3).

### Interest Expense

Set forth below is a summary of interest expense for the years ended December 31:

(Millions)	2009	2008	2007
Senior secured credit facility, Tranche A	\$ 6.8	\$ 14.6	\$ 34.9
Senior secured credit facility, Tranche B, net of interest rate swaps	91.8	99.8	116.3
Senior secured credit facility, revolving line of credit	3.8	8.9	7.0
Senior unsecured notes	263.8	255.1	249.3
Notes issued by subsidiaries	39.2	39.8	40.4
Credit facility extension fees	6.4	-	-
Other interest expense	0.1	0.1	0.2
Less capitalized interest expense	(1.7)	(1.9)	(3.7)
Total interest expense	\$ 410.2	\$ 416.4	\$ 444.4

Interest expense decreased \$6.2 million, or 1 percent, in 2009 and decreased \$28.0 million, or 6 percent, in 2008. The decrease in 2009 was primarily due to declines in the LIBOR (London-Interbank Offered Rate) rate impacting the Tranche A notes and the unhedged portion of Tranche B notes. The decrease in 2008 was primarily due to the November 2007 retirement of \$210.5 million of Tranche A senior secured debt under its credit facility in a debt-for-debt exchange related to the sale of its publishing business, as well as the decline in the LIBOR rate impacting the Tranche A notes. In addition, the Company incurred \$5.3 million in non-cash interest expense in the first quarter of 2007 on Tranche B of its senior secured credit facility due to the write-off of previously capitalized debt issuance costs. These debt issue costs were associated with \$500.0 million of the Tranche B loan that was paid down pursuant to the refinancing transaction during the first quarter of 2007 (see Note 5). The weighted-average interest rate paid on the long-term debt was 7.7 percent in both 2009 and 2008.

### Income Taxes

Income tax expense decreased \$72.1 million, or 25 percent in 2009, and increased \$31.7 million, or 13 percent, in 2008. The decrease in income tax expense in 2009 was generally consistent with the Company's decrease in income before taxes. The increase in income tax expense in 2008 was primarily driven by adjustments to deferred income taxes for the impact of completing an internal reorganization of our legal entity structure. The Company's effective tax rate in 2009 was 38.7 percent, compared to 39.4 percent in 2008 and 21.6 percent in 2007. The increase in the effective rate between 2007 and 2008 was primarily due to the non-taxable gain recognized in 2007 on the sale of the directory publishing segment. For 2010, the Company's annualized effective income tax rate is expected to range between 37.5 and 38.5 percent, excluding one-time discrete items. Changes in the relative profitability of our business, as well as recent and proposed changes to federal and state tax laws may cause the rate to change from historical rates. See Note 12, "Income Taxes", to the accompanying consolidated financial statements for further discussion of income tax expense and deferred taxes.

### Discontinued Operations, Net of Tax

On November 21, 2008 Windstream completed the sale of its wireless business to AT&T Mobility II, LLC (see Note 3). In connection with this transaction, we have reported the related results as discontinued operations and recognized a pre-tax loss of \$21.3 million to reduce the carrying value of the net assets sold to the transaction price less costs to sell. Wireless business income before taxes was \$9.7 million and \$1.2 million in 2008 and 2007, respectively. Additionally, the Company made tax payments of \$14.8 million related to the excess of consideration received over tax basis in the assets sold.

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### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

#### Liquidity and Capital Resources

During 2009, the Company generated \$1,120.8 million in cash flows from operations and increased its cash position by \$766.3 million to \$1,062.9 million at December 31, 2009, primarily due to the proceeds of a \$1,100.0 million debt offering in 2009 (see "Cash Flows – Financing Activities"). We expect that cash on hand, along with cash generated from operations over the next year, will be adequate to finance our ongoing operating requirements, capital expenditures, scheduled principle payments of long-term debt, the payment of dividends in 2010 and the NuVox acquisition. In addition, we expect these same sources, together with available capacity under our \$500.0 million revolving credit facility (see Note 5), will be sufficient to finance the acquisition of Iowa Telecom.

The Company's board of directors has adopted a current dividend practice for the payment of quarterly cash dividends at a rate of \$0.25 per share of the Company's common stock. This practice can be changed at any time at the discretion of the board of directors, and is subject to the Company's restricted payment capacity under its debt covenants as further discussed below. Dividends paid to shareholders were \$1.00 per share during 2009, totaling \$437.4 million. Windstream also paid \$109.2 million to shareholders in January 2010 pursuant to a \$0.25 quarterly dividend declared during the fourth quarter of 2009.

In February 2008, the Windstream Board of Directors approved a stock repurchase program for up to \$400 million of the Company's common stock continuing until December 31, 2009. During 2009, the Company repurchased 13.0 million shares totaling \$121.3 million bringing total repurchases under the stock repurchase program to 29.0 million shares for approximately \$321.6 million. The stock repurchase program expired on December 31, 2009.

As of December 31, 2009, the Company had approximately \$783.0 million of restricted payment capacity as governed by its credit facility. The Company builds additional capacity through cash generated from operations while dividend payments, share repurchases and other certain restricted investments reduce the available restricted payments capacity. The Company will continue to opportunistically consider free cash flow accretive initiatives, including strategic opportunities and debt repurchases.

Additionally, during October of 2009, Windstream received consent from its lenders to an amendment and restatement of its \$2,148.4 million senior secured credit facility (the "Amendment"). Windstream amended and restated its senior secured credit facility to, among other things, extend the maturities of the facility and amend certain covenants to afford Windstream additional flexibility, resulting in increased interest rates on the extended maturities. The extended maturities and related interest rate increases associated with the Amendment as of December 31, 2009 were as follows:

	Non-extended		Interest Rate Increase (Basis Points)	Extended		Total
	Due	Amount (Millions)		Due	Amount (Millions)	Amount (Millions)
Senior secured credit facility:						
Tranche A - variable rates	July 17, 2011	\$ 114.4	100	July 17, 2013	\$ 168.9	\$ 283.3
Tranche B - variable rates	July 17, 2013	\$ 289.8	125	December 17, 2015	\$ 1,075.3	\$ 1,365.1
Revolving line of credit - variable rates (a)	July 17, 2011	\$ 152.4	100	July 17, 2013	\$ 347.6	\$ 500.0

(a) As of December 31, 2009, the Company had repaid the full amount outstanding under the revolving line of credit.

As of December 31, 2009, the Company had \$6,295.2 million in long-term debt outstanding, including current maturities (see Note 5). This outstanding debt is principally comprised of approximately \$2,148.4 million secured primarily under the Company's senior secured credit facility and approximately \$4,146.8 million in unsecured senior notes. Scheduled principal payments for debt outstanding as of December 31, 2009 for each of the twelve month periods ended December 31, 2010, 2011, 2012, 2013 and 2014 were \$23.8 million, \$139.4 million, \$50.4 million, \$1,242.6 million and \$10.8 million, respectively. Scheduled principle payments remaining after 2014 approximate \$4,867.4 million.

The terms of the senior secured credit facility and indentures include customary covenants that, among other things, require Windstream to maintain certain financial ratios, restrict its ability to incur additional indebtedness and limit its cash payments. These financial ratios include a maximum leverage ratio of 4.5 to 1.0 and a minimum interest coverage

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ratio of 2.75 to 1.0. In addition, the covenants include restrictions on dividend and certain other types of payments, as previously described, as well as restrictions on capital expenditures. For 2010, the Company's capital expenditure capacity, as calculated under these covenants, is approximately \$662.1 million, which includes \$170.1 million of unused capacity from 2009 and approximately \$42.0 million in additional capacity attributable to the adjusted earnings before interest, taxes, depreciation and amortization of D&E, Lexcom and NuVox.

The financial ratios required by the Company's senior secured credit facility and indentures include certain financial measures that are not calculated in accordance with accounting principles generally accepted in the United States ("non-GAAP financial measures"). These non-GAAP financial measures are presented below for the sole purpose of demonstrating the Company's compliance with its debt covenants and were calculated as follows:

(Millions, except ratios)	December 31, 2009
<b>Gross leverage ratio:</b>	
Total debt	\$ 6,295.2
Operating income, last twelve months	\$ 956.9
Depreciation and amortization, last twelve months	537.8
Other non-cash and non-recurring expense adjustments required by the credit facilities and indentures (a)	229.6
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")	\$ 1,724.3
Leverage ratio (b) (c)	3.65
Maximum gross leverage ratio allowed	4.50
<b>Interest coverage ratio:</b>	
Adjusted EBITDA	\$ 1,724.3
Interest expense, last twelve months	\$ 410.2
Adjustments required by the credit facilities and indentures (d)	103.6
Adjusted interest expense	\$ 513.8
Interest coverage ratio (c) (e)	3.36
Minimum interest coverage ratio allowed	2.75

- (a) Adjustments required by the credit facility and indentures primarily consist of the inclusion of D&E and Lexcom preacquisition operating income before depreciation and amortization, pension and stock-based compensation expense and non-recurring merger, integration and restructuring charges.
- (b) The gross leverage ratio is computed by dividing total debt by adjusted EBITDA.
- (c) These ratios are expected to be favorably impacted by the completion of the NuVox and Iowa Telecom acquisitions. During 2009, the Company incurred approximately \$1,100.0 million in new debt to finance these transactions, which are expected to close in 2010. In accordance with the Company's debt covenants, the preacquisition operating results of the acquired business will be added to adjusted EBITDA upon completion of the related acquisitions.
- (d) Adjustments required by the credit facility and indentures primarily consist of the inclusion of interest expense related to the 2017 Notes as if they were issued January 1, 2009, capitalized interest and amortization of the discount on long-term debt, net of premiums.
- (e) The interest coverage ratio is computed by dividing adjusted EBITDA by adjusted interest expense.

In addition, certain of the Company's debt agreements contain various covenants and restrictions specific to the subsidiary that is the legal counterparty to the agreement. Under the Company's long-term debt agreements, acceleration of principal payments would occur upon payment default, violation of debt covenants not cured within 30 days, a change in control including a person or group obtaining 50 percent or more of Windstream's outstanding voting stock, or breach of certain other conditions set forth in the borrowing agreements. At December 31, 2009, the Company was in compliance with all such covenants and restrictions.

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As of February 23, 2010, Moody's Investors Service, Standard & Poor's Corporation and Fitch Ratings had granted Windstream the following senior secured, senior unsecured and corporate credit ratings:

Description	Moody's	S&P	Fitch
Senior secured credit rating	Baa3	BB+	BBB-
Senior unsecured credit rating	Ba3	B+	BB+
Corporate credit rating	Ba2	BB-	BB+
Outlook	Stable	Stable	Negative

Factors that could affect Windstream's short and long-term credit ratings would include, but are not limited to, a material decline in the Company's operating results, increased debt levels relative to operating cash flows resulting from future acquisitions, increased capital expenditure requirements, or changes to our dividend policy. If Windstream's credit ratings were to be downgraded, the Company may incur higher interest costs on future borrowings, and the Company's access to the public capital markets could be adversely affected. The Company's exposure to interest risk is further discussed in the Market Risk section below. A downgrade in Windstream's current short or long-term credit ratings would not accelerate scheduled principal payments of Windstream's existing long-term debt, as discussed further in Note 5. Windstream's next significant scheduled debt maturity is in 2013.

## Historical Cash Flows

(Millions)	2009	2008	2007
Cash flows provided from (used in):			
Operating activities	\$ 1,120.8	\$ 1,080.4	\$ 1,033.7
Investing activities	(492.8)	(233.1)	(867.1)
Financing activities	138.3	(622.7)	(481.4)
Increase (decrease) in cash and cash equivalents	\$ 766.3	\$ 224.6	\$ (314.8)

## Cash Flows – Operating Activities

Cash provided from operations is the Company's primary source of funds. Cash flows from operating activities increased by \$40.4 million in 2009 as compared to 2008, and \$46.7 million in 2008 as compared to 2007, primarily from the deferral of cash tax payments resulting from accelerated depreciation on qualifying asset purchases in 2009 as provided in the Economic Stimulus Act. In both periods, increases were partially offset by changes in working capital requirements, including timing differences in the billing and collections of accounts receivable, payment of trade payables and purchases of inventory. During 2009, the Company generated sufficient cash flows from operations to fund its capital expenditures, scheduled principle payments of long-term debt and payment of dividends as further discussed below.

## Cash Flows – Investing Activities

Cash used in investing activities increased by \$259.7 million in 2009 as compared to 2008, primarily due to net cash used to acquire D&E and Lexcom, as previously discussed. Proceeds from the 2008 sale of the wireless business and acquired assets held for sale, totaling \$56.7 million and \$17.8 million, respectively, also contributed to the increase (see Notes 2 and 3).

Cash used in investing activities decreased by \$634.0 million in 2008 as compared to 2007, primarily due to net cash used to acquire CTC. This 2007 cash outlay, totaling \$546.8 million, was funded primarily with cash on hand at the time of the acquisition, with the remainder funded through borrowings from the Company's revolving line of credit. It was partially offset by \$40.0 million in proceeds received on the sale of the publishing business.

A reduction in capital expenditures in 2009 as compared to 2008 offset the increase in cash used in investing activities. Capital expenditures were \$298.1 million, \$317.5 million and \$365.7 million for 2009, 2008 and 2007, respectively. Capital expenditures in each of the three years were incurred to construct additional network facilities and to upgrade the Company's telecommunications network in order to expand our offering of other communications services, including high-speed Internet communication services. During each of the three years, the Company funded its capital expenditures through internally generated funds.

The primary uses of cash for future capital expenditures are for property, plant and equipment necessary to support the Company's wireline operations. Capital expenditures are forecasted to be between \$360.0 million and \$390.0 million for 2010, which includes the forecasted capital to support the acquired D&E, Lexcom and NuVox networks. Capital expenditures for 2010 will be primarily incurred to construct additional network facilities and to upgrade the

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Company's telecommunications network. Windstream will continue to focus capital expenditures on the expansion of its next generation network services, including Ethernet internet access, Virtual LAN services ("VLS") and Virtual Private Network ("VPN") services. Additionally, Windstream will continue to focus on infrastructure upgrades, including placing fiber in the network, to support our suite of enterprise and residential high-speed Internet services and expand our 6 Mb and 12 Mb high-speed Internet footprint. The forecasted spending levels in 2010 are subject to revision depending on changes in future capital requirements. The Company generated positive cash flows in 2009 sufficient to fund its day-to-day operations and to fund its capital requirements. As mentioned previously, we expect that cash on hand, along with cash generated from operations over the next year, will be adequate to finance our ongoing operating requirements and capital expenditures.

### Cash Flows – Financing Activities

During 2009, Windstream issued \$1,100.0 million in aggregate principle amount of 7.875 percent senior unsecured notes. Net proceeds from this offering totaled \$1,083.6 million with a yield of 8.129 percent. Repayments of borrowings totaled \$356.6 million and included the repayment of \$182.4 million in debt assumed from D&E. Dividends paid to shareholders totaled \$437.4 million in 2009, which declined by \$7.8 million and \$31.6 million in 2009 and 2008, respectively, due to fewer shares issued and outstanding during 2009 and 2008, respectively, as a result of the stock repurchase program and the split off of the directory publishing business. As previously discussed, in 2009 and 2008 the Company repurchased 13.0 million and 16.0 million shares, respectively, of its common stock at a cost of \$121.3 million and \$200.3 million, respectively. The Company also repurchased approximately 3.0 million shares of its common stock during 2007 using \$40.0 million in proceeds from a special cash dividend received pursuant to the sale of its publishing business.

Repayments of borrowings were \$354.3 million during 2008. Gross debt issued, net of issuance costs, during the twelve months ended December 31, 2008 totaled \$380.0 million. In 2008, the Company borrowed \$380.0 million from its \$500.0 million revolving credit agreement. Gross payments on the revolving credit agreements totaled \$330.0 million during 2008, resulting in a \$50.0 million net increase in amounts due under the revolving credit agreement. Other retirements of long-term debt in 2008 reflected the required scheduled principal payments under the Company's existing long-term debt obligations.

Proceeds received from borrowings in 2007, net of issuance costs, totaled \$848.9 million, while repayments of borrowings were \$811.0 million. During 2007, the Company issued \$500.0 million in senior unsecured notes due 2019. These proceeds were used to retire \$500.0 million in principal borrowings under Tranche B of the senior secured credit facility, which was refinanced through this transaction to lower the interest rate on the remainder of Tranche B and modify the pre-payment provisions. The remaining borrowings totaling \$350.0 million in 2007 were from the Company's revolving line of credit, which was used in part to fund the acquisition of CTC. The remaining repayments during 2007 included the payoff of \$37.5 million of debt obligations assumed from CTC, payments to reduce amounts outstanding under the revolving line of credit of \$250.0 million and scheduled principal payments on the Company's outstanding borrowings. As a result, net amounts due under the revolving credit agreement increased \$100.0 million during 2007.

### Off-Balance Sheet Arrangements

We do not use securitization of trade receivables, affiliation with special purpose entities, variable interest entities or synthetic leases to finance our operations. Additionally, we have not entered into any arrangement requiring us to guarantee payment of third party debt or to fund losses of an unconsolidated special purpose entity.

### Contractual Obligations and Commitments

Set forth below is a summary of our material contractual obligations and commitments as of December 31, 2009:

(Millions)	Payments due by Period				Total
	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years	
Long-term debt, including current maturities (a)	\$ 23.8	\$ 189.8	\$ 1,253.4	\$ 4,867.4	\$ 6,334.4
Interest payments on long-term debt obligations (b)	427.6	838.5	755.9	861.6	2,883.6
Operating leases	31.2	33.4	5.5	1.4	71.5
Purchase obligations (c)	63.6	46.9	-	-	110.5
Other long-term liabilities and commitments (d) (e) (f)	86.9	97.7	80.5	1,690.4	1,955.5
Total contractual obligations and commitments	\$ 633.1	\$ 1,206.3	\$ 2,095.3	\$ 7,420.8	\$ 11,355.5

(a) Excludes \$39.2 million of unamortized discounts (net of premiums) included in long-term debt at December 31, 2009.

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- (b) Variable rates on tranches A and B of the senior secured credit facility are calculated in relation to LIBOR, which was 0.28 percent at December 31, 2009.
- (c) Purchase obligations include open purchase orders not yet receipted and amounts payable under noncancellable contracts. The portion attributable to noncancellable contracts primarily represents agreements for network capacity and software licensing.
- (d) Other long-term liabilities and commitments primarily consist of deferred tax liabilities, pension and other postretirement benefit obligations and interest rate swaps.
- (e) Excludes \$5.2 million of reserves for uncertain tax positions, including interest and penalties, that were included in other liabilities at December 31, 2009 for which the Company is unable to make a reasonably reliable estimate as to when cash settlements with taxing authorities will occur.
- (f) Includes \$45.8 million and \$10.7 million in current portion of interest rate swaps and pension and postretirement benefit obligations, respectively that were included in current portion of interest rate swaps and other current liabilities at December 31, 2009.

Under our long-term debt agreements, acceleration of principal payments would occur upon payment default, violation of debt covenants not cured within 30 days, a change in control including a person or group obtaining 50 percent or more of Windstream's outstanding voting stock, or breach of certain other conditions set forth in the borrowing agreements. At December 31, 2009, we were in compliance with all of our debt covenants. There are no provisions within any of our leasing agreements that would trigger acceleration of future lease payments. See Notes 2, 5, 6, 8, 12, 13 and 15 for additional information regarding certain of the obligations and commitments listed above.

## **MARKET RISK**

Market risk is comprised of three elements: foreign currency risk, interest rate risk and equity risk. As further discussed below, the Company is exposed to market risk from changes in interest rates. The Company does not directly own significant marketable equity securities other than highly liquid cash equivalents, nor does it operate in foreign countries. However, the Company's pension plan invests in marketable equity securities, including marketable debt and equity securities denominated in foreign currencies.

### **Interest Rate Risk**

The Company is exposed to market risk through changes in interest rates, primarily as it relates to the variable interest rates it is charged under its senior secured credit facility. Under its current policy, the Company enters into interest rate swap agreements to obtain a targeted mixture of variable and fixed interest rate debt such that the portion of debt subject to variable rates does not exceed 25 percent of Windstream's total debt outstanding. The Company has established policies and procedures for risk assessment and the approval, reporting, and monitoring of interest rate swap activity. Windstream does not enter into interest rate swap agreements, or other derivative financial instruments, for trading or speculative purposes. Management periodically reviews Windstream's exposure to interest rate fluctuations and implements strategies to manage the exposure.

Due to the interest rate risk inherent in its variable rate senior secured credit facility, the Company entered into four pay fixed, receive variable interest rate swap agreements on notional amounts totaling \$1,600.0 million at July 17, 2006 to convert variable interest rate payments to fixed. The counterparty for each of the swap agreements is a bank with a current credit rating at or above A+. The four interest rate swap agreements amortize quarterly to a notional value of \$906.3 million at maturity on July 17, 2013, and have an unamortized notional value of \$1,175.0 million as of December 31, 2009. The variable rate received by Windstream on these swaps is the three-month LIBOR (London-Interbank Offered Rate), which was 0.28 percent at December 31, 2009. The fixed rate paid by Windstream is 5.60 percent. The interest rate swap agreements are designated as cash flow hedges of the interest rate risk created by the variable interest rate paid on the senior secured credit facility. As discussed in Liquidity and Capital Resources, during the fourth quarter of 2009, the Company amended certain terms of \$1,075.3 million in debt outstanding under Tranche B of its senior secured credit facility, which among other things, extended the maturity date from July 17, 2013 to December 17, 2015. At this time the Company has not entered into any agreements to hedge the interest rate risk associated with the variable interest that will remain outstanding under the senior secured credit facility after July 17, 2013.

After the completion of a refinancing transaction in February 2007, a portion of one of the four interest rate swap agreements with a notional value of \$125.0 million was de-designated and is no longer considered an effective hedge as the portion of the Company's senior secured credit facility that it was designated to hedge against was repaid.

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Changes in the market value of this portion of the swap, which has an unamortized notional value of \$96.3 million as of December 31, 2009, are recognized in net income, including a \$3.0 million gain in the consolidated statement of income in 2009. Changes in the market value of the designated portion of the swaps are recognized in other comprehensive income.

As of December 31, 2009, the unhedged portion of the Company's variable rate senior secured credit facility was \$569.7 million, or approximately 9.1 percent of its total outstanding long-term debt. Windstream has estimated its interest rate risk using a sensitivity analysis. For variable rate debt instruments, market risk is defined as the potential change in earnings resulting from a hypothetical adverse change in interest rates. A hypothetical increase of 100 basis points in variable interest rates would reduce annual pre-tax earnings by approximately \$5.7 million. Actual results may differ from this estimate.

### **Equity Risk**

The Company utilizes various financial institutions to invest its cash on hand in short-term securities. These financial institutions are generally a party to the existing Windstream credit facility. Windstream has maintained an average cash balance of approximately \$351.2 million during the twelve months ended December 31, 2009. These monies have been invested in both taxable funds as well as tax-exempt municipal funds, and monies will often be moved between these two types of securities depending on their respective yields. These monies are all invested in AAA rated funds with same day access, and thus are highly liquid.

In addition, the Company has exposure to market risk through the Company's pension plan investments. During 2009, Windstream's pension plan assets increased from approximately \$654.0 million to \$784.0 million. This increase is primarily due to a return on plan assets of \$152.0 million, or 23.2 percent, transfers from the D&E pension plan (see Note 8) of \$61.4 million and contributions of \$3.3 million. Partially offsetting these increases were \$51.1 million in routine benefit payments, \$35.6 million of lump sum distributions and administrative expenses. Primarily as a result of the increase in the market value of pension assets, pension expense is expected to decline from \$91.8 million recognized in 2009, to \$62.9 million in 2010. The Company does not expect to make any contributions to the plan in 2010. The amount and timing of future contributions will depend on various factors including future investment performance, the finalization of funding regulations, changes in future discount rates and changes in demographics of the population participating in the Company's qualified pension plan.

### **Foreign Currency Risk**

Although the Company does not operate in foreign countries, the Windstream pension plan invests in international securities. As of December 31, 2009 approximately \$61.5 million or 7.8 percent of total pension assets are invested in debt or equity securities denominated in foreign currencies. The investments are diversified in terms of country, industry and company risk, limiting the overall foreign currency exposure.

### **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are discussed in detail in Note 2. Certain of these accounting policies as discussed below require management to make estimates and assumptions about future events that could materially affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. We believe that the estimates, judgments and assumptions made when accounting for the items described below are reasonable, based on information available at the time they are made. However, there can be no assurance that actual results will not differ from those estimates.

**Revenue Recognition** – We recognize revenues and sales as services are rendered or as products are sold in accordance with authoritative guidance on revenue recognition. Wireline local access revenues are recognized over the period that the corresponding services are rendered to customers. Revenues derived from other telecommunications services, including interconnection, long distance and custom calling feature revenues are recognized monthly as services are provided. Service revenues are primarily derived from providing access to or usage of the Company's networks and facilities. Due to varying customer billing cycle cut-off, the Company must estimate service revenues earned but not yet billed at the end of each reporting period. Sales of communications products including customer premise equipment and modems are recognized when products are delivered to and accepted by customers. Fees assessed to communications customers for service activation are deferred upon service activation and recognized as service revenue on a straight-line basis over the expected life of the customer relationship in accordance with authoritative guidance on multiple element arrangements. Costs associated with activating such services, up to the related amount of deferred revenue, are deferred and recognized as an operating expense over the same period.

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The Company recognizes certain revenues pursuant to various cost recovery programs from state and federal Universal Service Funds, and from revenue sharing arrangements with other local exchange carriers administered by the National Exchange Carrier Association. Revenues are calculated based on the Company's investment in its network and other network operations and support costs. The Company has historically collected the revenues recognized through this program; however, adjustments to estimated revenues in future periods are possible. These adjustments could be necessitated by adverse regulatory developments with respect to these subsidies and revenue sharing arrangements, changes in the allowable rates of return, the determination of recoverable costs, or decreases in the availability of funds in the programs due to increased participation by other carriers.

**Allowance for Doubtful Accounts** – In evaluating the collectability of our trade receivables, we assess a number of factors, including a specific customer's ability to meet its financial obligations to us, as well as general factors, such as the length of time the receivables are past due and historical collection experience. Based on these assumptions, we record an allowance for doubtful accounts to reduce the related receivables to the amount that we ultimately expect to collect from customers. If circumstances related to specific customers change or economic conditions worsen such that our past collection experience is no longer relevant, our estimate of the recoverability of our trade receivables could be further reduced from the levels provided for in the consolidated financial statements.

**Pension and Other Postretirement Benefits** – The annual costs of providing pension and other postretirement benefits are based on certain key actuarial assumptions, including the expected return on plan assets, discount rate and healthcare cost trend rate. Windstream's pension expense for 2010, estimated to be approximately \$62.9 million, was calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on qualified pension plan assets of 8.0 percent and a discount rate of 5.89 percent. In developing the expected long-term rate of return assumption, Windstream considered its historical rate of return, as well as input from its investment advisors. Historical returns of the plan were 9.89 percent since 1975, including periods in which it was sponsored by Alltel. Projected returns on qualified pension plan assets were based on broad equity and bond indices and include a targeted asset allocation of 52.5 percent to equities, 37.5 percent to fixed income assets and 10.0 percent to alternative investments, with an aggregate expected long-term rate of return of approximately 8.0 percent. Lowering the expected long-term rate of return on the qualified pension plan assets by 50 basis points (from 8.0 percent to 7.5 percent) would result in an increase in our pension expense of approximately \$3.8 million in 2010.

The discount rate selected is based on a hypothetical yield curve and associated spot rate curve adjusted to reflect the expected cash outflows for pension benefit payments. The yield curve incorporates actual high-quality corporate bonds across the full maturity spectrum and is developed from yields on Aa-graded, non-callable/puttable bonds. The discount rate determined on this basis was 5.89 percent at December 31, 2009. Lowering the discount rate by 25 basis points (from 5.89 percent to 5.64 percent) would result in an increase in our pension expense of approximately \$4.6 million in 2010.

As a component of determining its annual pension cost, Windstream amortizes unrecognized gains or losses that exceed 17.5 percent of the greater of the projected benefit obligation or market-related value of plan assets on a straight-line basis over five years. Unrecognized actuarial gains and losses below the 17.5 percent corridor are amortized over the average remaining service life of active employees, which is approximately 10 years for the pension plan during 2010.

On August 17, 2006, the Pension Protection Act of 2006 (the "2006 Act") was signed into law by Congress. In general, the 2006 Act changed the rules governing the minimum contribution requirements for funding a qualified pension plan on an annual basis without paying excise tax penalties. Among other requirements, the 2006 Act changed the assumptions used to calculate the minimum lump-sum benefit payments, applied benefit restrictions to plans below certain funding levels, and eliminated certain sunset provisions contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). EGTRRA increased the maximum amount of benefits that a qualified defined benefit pension plan could pay and increased the maximum compensation amount allowed for determining benefits for qualified pension plans. Windstream is complying with the provisions of the 2006 Act. The qualified pension plan is expected to be at least 80.0 percent funded for the 2009 plan year and therefore is not expected to be subject to benefit restrictions in 2010. The assumptions selected as of December 31, 2009 for financial reporting purposes for the qualified pension plan reflected the impact of the 2006 Act. Future contributions to the plan are dependent on various factors, including future investment performance, changes in future discount rates and changes in the demographics of the population participating in the qualified pension plan.

We calculated our annual postretirement expense for 2010 based upon a number of actuarial assumptions, including a healthcare cost trend rate of 9.0 percent and a discount rate of 5.79 percent. Consistent with the methodology used to determine the appropriate discount rate for the Company's pension obligations, the discount rate selected for

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postretirement benefits is based on a hypothetical yield curve that incorporates high-quality corporate bonds with various maturities adjusted to reflect expected postretirement benefit payments. The discount rate determined on this basis was 5.79 percent at December 31, 2009. Lowering the discount rate by 25 basis points (from 5.79 percent to 5.54 percent) would result in an increase in postretirement income of approximately \$0.1 million in 2010.

The healthcare cost trend rate is based on our actual medical claims experiences adjusted for future projections of medical costs. For the year ended December 31, 2010, a one percent increase in the assumed healthcare cost trend rate would increase our postretirement benefit cost by approximately \$0.2 million, while a one percent decrease in the rate would reduce our allocation of postretirement benefit cost by approximately \$0.2 million.

See Notes 2 and 8 for additional information on Windstream's pension and other postretirement plans.

Useful Lives of Assets – The calculation of depreciation and amortization expense is based on the estimated economic useful lives of the underlying property, plant and equipment and finite-lived intangible assets. As discussed in Note 2, the Company reduced the depreciation rates on property, plant and equipment used in its operating markets based on studies completed between 2006 and 2007 of the related lives of those assets. Although we believe it is unlikely that any further significant changes to the useful lives of our finite-lived intangible assets will occur in the near term, rapid changes in technology or changes in market conditions could result in revisions to such estimates that could materially affect the carrying value of these assets and our future consolidated operating results. The Company realized reductions in its depreciation expense in 2008, which is the first full year following the completion of certain rate studies.

Goodwill and Other Indefinite-lived Intangibles – In accordance with authoritative guidance on goodwill and intangibles other than goodwill, we test our goodwill for impairment at least annually, or whenever indicators of impairment arise. This guidance requires write-downs of goodwill only in periods in which the recorded amount of goodwill exceeds the fair value. The Company assesses the impairment of its goodwill by evaluating the carrying value of its shareholders' equity against the current fair market value of its outstanding equity, where the fair market value of the Company's equity is equal to its current market capitalization plus a control premium estimated to be 20 percent through the review of recent market observable transactions involving wireline telecommunication companies. If the fair value is less than its carrying value, a second calculation is required in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value.

We evaluate the remaining useful lives of our other indefinite-lived intangible assets and test them for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Windstream determines the fair value of its indefinite-lived intangible assets using a combination of cost-based and income-based approaches.

The Company performs its impairment analysis on January 1<sup>st</sup> of each year. During 2009, 2008 and 2007, no write-downs in the carrying values of either goodwill or indefinite-lived intangible assets were required based on their calculated fair values. Reducing the January 1, 2009 calculated fair values of goodwill by 90 percent would not have resulted in an impairment of the carrying value of goodwill. Changes in the key assumptions used in the impairment analysis due to changes in market conditions could adversely affect the calculated fair values of goodwill and other indefinite-lived intangible assets, materially affecting the carrying value of these assets and our future consolidated operating results.

See Notes 2 and 4 for additional information on Windstream's goodwill and other indefinite-lived intangibles.

Derivative Instruments – Windstream accounts for its derivative instruments using authoritative guidance for disclosures about derivative instruments and hedging activities, including when a derivative or other financial instrument can be designated as a hedge, and requires recognition of all derivative instruments at fair value. Accounting for the changes in fair value depends on whether the derivative has been designated as, qualifies as and is effective as a hedge. Changes in fair value of the effective portions of hedges should be recorded as a component of other comprehensive income in the current period. Changes in fair values of the derivative instruments not qualifying as hedges, or of any ineffective portion of hedges, should be recognized in earnings in the current period.

The effectiveness of the Company's cash flow hedges is assessed each quarter using the "Change in Variable Cash Flow Method" by assessing our counterparties nonperformance risk and by matching critical terms between the swaps and the hedged items. During 2007, however, the Company repaid a portion of its hedged variable rate debt, and subsequently de-designated the portion of its swaps that had hedged this repaid principle value. As a result, the de-designated portion of its swaps were deemed ineffective.

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Changes in the fair value of the designated portion of the Company's derivative instruments are reported as a component of other comprehensive income (loss) in the current period and will be reclassified into earnings as the hedged transaction affects earnings. Changes in the fair value of the undesignated portions are recognized in other income, net. The Company settles interest payments on its swaps based on the LIBOR rate. The Company does not expect any changes in the effectiveness of its swaps due to counterparty risk or further prepayment of hedged items, but any such changes could result in a loss of critical terms matching and subsequently an increase in the ineffective portion of the swaps. An increase in the value of the ineffective portion of its swaps either through further de-designation of existing swaps or through further decreases in the LIBOR rate could have an adverse impact on the Company's future earnings.

See Notes 2, 5 and 6 for additional information on Windstream's derivative instruments.

**Income Taxes** – Our estimates of income taxes and the significant items resulting in the recognition of deferred tax assets and liabilities are disclosed in Note 12 and reflect our assessment of future tax consequences of transactions that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. Actual income taxes to be paid could vary from these estimates due to future changes in income tax law or the outcome of audits completed by federal and state taxing authorities. Included in the calculation of our annual income tax expense are the effects of changes, if any, to our income tax reserves for uncertain tax positions. We maintain income tax reserves for potential assessments from the IRS or other taxing authorities. The reserves are determined in accordance with authoritative guidance and are adjusted, from time to time, based upon changing facts and circumstances. Changes to the income tax reserves could materially affect our future consolidated operating results in the period of change. In addition, a valuation allowance is recorded to reduce the carrying amount of deferred tax assets unless it is more likely than not that such assets will be realized.

### **Recently Issued Authoritative Guidance**

The following authoritative guidance will be adopted by the Company in the reporting period indicated. This authoritative guidance, together with the Company's evaluation of the related impact to the consolidated financial statements, is more fully described in Note 2.

- Revenue Arrangements with Multiple Element Deliverables (first quarter of 2011)
- Determining the Primary Beneficiary of a Variable Interest Entity (first quarter of 2010)
- Accounting for Transfers of Financial Assets (first quarter of 2010)

### **Forward-Looking Statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes, and future filings on Form 10-K, Form 10-Q and Form 8-K and future oral and written statements by Windstream and our management may include, certain forward-looking statements. Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for this Annual Report on Form 10-K. Forward looking statements include, but are not limited to, statements about expected levels of support from universal service funds or other government programs, expected rates of loss of access lines or intercarrier compensation, our expected ability to fund operations from cash flows from operations, our expectation of no pension contribution in 2010, expected synergies and other benefits from completed and pending acquisitions, expected effective federal income tax rates and forecasted capital expenditure amounts. These and other forward-looking statements are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

Factors that could cause actual results to differ materially from those contemplated in our forward looking statements include, among others:

- further adverse changes in economic conditions in the markets served by Windstream;
- the extent, timing and overall effects of competition in the communications business;
- continued access line loss;
- the impact of new, emerging or competing technologies;
- the adoption of inter-carrier compensation and/or universal service reform proposals by the Federal Communications Commission or Congress that results in a significant loss of revenue to Windstream;
- the risks associated with the integration of acquired businesses or the ability to realize anticipated synergies, cost savings and growth opportunities;
- unexpected adverse results related to our data center migration;
- for our competitive local exchange carrier ("CLEC") operations, adverse effects on the availability, quality of service and price of facilities and services provided by other incumbent local exchange carriers on which our CLEC services depend;

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- the availability and cost of financing in the corporate debt markets;
- the potential for adverse changes in the ratings given to Windstream's debt securities by nationally accredited ratings organizations;
- the effects of federal and state legislation, and rules and regulations governing the communications industry;
- material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- unexpected results of litigation;
- unexpected rulings by state public service commissions in proceedings regarding universal service funds, inter-carrier compensation or other matters that could reduce revenues or increase expenses;
- the effects of work stoppages;
- the impact of equipment failure, natural disasters or terrorist acts;
- earnings on pension plan investments significantly below our expected long term rate of return for plan assets;
- and those additional factors under the caption "Risk Factors" in Item 1A of this annual report.

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream's actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream's future results included in this Management's Discussion and Analysis of Financial Condition and Results of Operations and in other filings by Windstream with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

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### SELECTED FINANCIAL DATA

(Millions, except per share amounts in thousands)	2009	2008	2007	2006	2005
<b>Revenues and sales</b>	\$ 2,996.6	\$ 3,171.5	\$ 3,245.9	\$ 3,033.3	\$ 2,923.5
<b>Operating income</b>	956.9	1,132.4	1,149.9	898.8	633.8
Other income, net	(1.1)	2.1	11.1	8.7	11.6
Gain on sale of directory publishing business and other assets	-	-	451.3	-	-
Loss on extinguishment of debt	-	-	-	(7.9)	-
Intercompany interest income (expense)	-	-	-	31.9	23.3
Interest expense	(410.2)	(416.4)	(444.4)	(209.6)	(19.1)
Income from continuing operations before income taxes	545.6	718.1	1,167.9	721.9	649.6
Income taxes	211.1	283.2	251.5	276.3	267.9
Income from continuing operations	334.5	434.9	916.4	445.6	381.7
Discontinued operations, including tax expense of \$10.6 and \$0.5, respectively	-	(22.2)	0.7	-	-
Income before extraordinary item and cumulative effect of accounting change	334.5	412.7	917.1	445.6	381.7
Extraordinary item, net of income taxes	-	-	-	99.7	-
Cumulative effect of accounting change, net of income taxes	-	-	-	-	(7.4)
<b>Net Income</b>	\$ 334.5	\$ 412.7	\$ 917.1	\$ 545.3	\$ 374.3
<b>Basic and diluted earnings per share:</b>					
Income from continuing operations	\$0.76	\$0.98	\$1.93	\$1.02	\$0.95
Loss from discontinued operations	-	(.05)	-	-	-
Extraordinary item	-	-	-	0.23	-
Cumulative effect of accounting change	-	-	-	-	(.02)
<b>Net income</b>	\$0.76	\$0.93	\$1.93	\$1.25	\$0.93
Dividends declared per common share	\$1.00	\$1.00	\$1.00	\$0.45	\$0.00
<b>Balance sheet data</b>					
Total assets	\$ 9,145.4	\$ 8,009.3	\$ 8,241.2	\$ 8,030.7	\$ 4,935.8
Total long-term debt (including current maturities)	\$ 6,295.2	\$ 5,382.5	\$ 5,355.5	\$ 5,488.4	\$ 260.8
Total equity	\$ 260.7	\$ 252.3	\$ 699.8	\$ 469.8	\$ 3,489.2

#### Notes to Selected Financial Information:

- Explanations for significant events affecting Windstream's historical operating trends during the periods 2007 through 2009 are provided in Management's Discussion and Analysis of Results of Operations and Financial Condition.
- Effective January 1, 2009, the Company adopted revised authoritative guidance for calculating earnings per share. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings attributable to common shares and participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Commensurate therewith, the Company has retrospectively adjusted prior period earnings per share data, the impact of which was immaterial.
- During 2005, Windstream incurred \$4.5 million of severance and employee benefit costs related to a workforce reduction in its wireline operations. Windstream also incurred \$31.2 million of incremental costs, principally consisting of investment banker, audit and legal fees, related to the then pending spin off from Alltel. These transactions decreased net income \$34.1 million. Effective July 1, 2005, Windstream prospectively reduced depreciation rates for its regulated operations in Florida, Georgia, North Carolina and South Carolina to reflect the results of studies of depreciable lives completed by the Company in the second quarter of 2005. The depreciable lives were lengthened to reflect the estimated remaining useful lives of wireline plant based on expected future network utilization and capital expenditure levels required to provide service to its customers. The effects of this change during the year ended December 31, 2005 resulted in a decrease in depreciation expense of \$21.8 million and increase in net income of \$12.8 million. Effective December 31, 2005, Windstream adopted authoritative guidance on accounting for conditional asset retirement obligations. The cumulative effect of this accounting change resulted in a one-time non-cash charge of \$7.4 million, net of income tax benefit of \$4.6 million.

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

Windstream Corporation's management is responsible for the integrity and objectivity of all financial information included in this Financial Supplement. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include amounts that are based on the best estimates and judgments of management. All financial information in this Financial Supplement is consistent with that in the consolidated financial statements.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and have expressed herein their unqualified opinion on those financial statements.

The Audit Committee of the Board of Directors, which oversees Windstream Corporation's financial reporting process on behalf of the Board of Directors, is composed entirely of independent directors (as defined by the NASDAQ Global Select Market). The Audit Committee meets periodically with management, the independent registered public accounting firm and the internal auditors to review matters relating to the Company's financial statements and financial reporting process, annual financial statement audit, engagement of independent registered public accounting firm, internal audit function, system of internal controls, and legal compliance and ethics programs as established by Windstream Corporation's management and the Board of Directors. The internal auditors and the independent registered public accounting firm periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

Dated February 24, 2010

Jeffery R. Gardner  
President and  
Chief Executive Officer

Anthony W. Thomas  
Chief Financial Officer

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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2009. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 based upon criteria in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of December 31, 2009.

Management has excluded the operations of D&E Communications, Inc. and Lexcom, Inc., wholly-owned subsidiaries of the Company, from its assessment of internal control over financial reporting as of December 31, 2009, because they were acquired by the Company in recently completed 2009 purchase business combinations. The operations of D&E Communications, Inc. and Lexcom, Inc. represent approximately 5.0 percent and 2.0 percent, respectively, of the Company's consolidated total assets and 0.7 percent and 0.1 percent, respectively, of the Company's consolidated revenues and sales, as of December 31, 2009.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Dated February 24, 2010

Jeffery R. Gardner  
President and  
Chief Executive Officer

Anthony W. Thomas  
Chief Financial Officer

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### **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Windstream Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Windstream Corporation and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for business combinations in 2009.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded D&E Communications, Inc. and Lexcom, Inc. from its assessment of internal control over financial reporting as of December 31, 2009 as they were acquired by the Company in purchase business combinations during 2009. We have also excluded D&E Communications, Inc. and Lexcom, Inc. from our audit of internal control over financial reporting. D&E Communications, Inc. and Lexcom, Inc. are wholly-owned subsidiaries whose total assets and total revenues represents 7.0 percent and 0.8 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2009.

/s/ PricewaterhouseCoopers LLP  
Little Rock, Arkansas  
February 24, 2010

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### CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31,

(Millions, except per share amounts)	2009	2008	2007
<b>Revenues and sales:</b>			
Service revenues	\$ 2,872.8	\$ 2,988.9	\$ 2,942.6
Product sales	123.8	182.6	303.3
Total revenues and sales	2,996.6	3,171.5	3,245.9
<b>Costs and expenses:</b>			
Cost of services (excluding depreciation of \$433.3, \$394.4, and \$404.4 in 2009, 2008 and 2007, respectively, included below)	1,006.8	1,005.4	1,008.6
Cost of products sold	107.5	169.8	187.4
Selling, general, administrative and other	356.0	356.5	381.2
Depreciation and amortization	537.8	492.7	506.0
Restructuring charges	9.3	8.5	4.6
Merger and integration costs	22.3	6.2	8.2
Total costs and expenses	2,039.7	2,039.1	2,096.0
<b>Operating income</b>	956.9	1,132.4	1,149.9
Other income, net	(1.1)	2.1	11.1
Gain on sale of publishing business	-	-	451.3
Interest expense	(410.2)	(416.4)	(444.4)
Income from continuing operations before income taxes	545.6	718.1	1,167.9
Income taxes	211.1	283.2	251.5
Income from continuing operations	334.5	434.9	916.4
Discontinued operations, including tax expense of \$10.6 and \$0.5, respectively	-	(22.2)	0.7
<b>Net income</b>	\$ 334.5	\$ 412.7	\$ 917.1
<b>Basic and diluted earnings per share:</b>			
Income from continuing operations	\$ .76	\$ .98	\$ 1.93
Loss from discontinued operations	-	(.05)	-
<b>Net income</b>	\$ .76	\$ .93	\$ 1.93

The accompanying notes are an integral part of these consolidated financial statements.

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### CONSOLIDATED BALANCE SHEETS

December 31,

(Millions, except par value)

Assets	2009	2008
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,062.9	\$ 296.6
Accounts receivable (less allowance for doubtful accounts of \$18.5 and \$16.3, respectively)	291.7	316.6
Inventories	26.1	30.8
Deferred income taxes	21.7	30.8
Prepaid expenses and other	53.6	33.9
<b>Total current assets</b>	<b>1,456.0</b>	<b>708.7</b>
Goodwill	2,344.4	2,198.2
Other intangibles, net	1,253.3	1,132.2
Net property, plant and equipment	3,992.6	3,897.1
Other assets	99.1	73.1
<b>Total Assets</b>	<b>\$ 9,145.4</b>	<b>\$ 8,009.3</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 23.8	\$ 24.3
Current portion of interest rate swaps	45.8	40.5
Accounts payable	158.5	134.0
Advance payments and customer deposits	95.2	94.0
Accrued dividends	109.2	109.9
Accrued taxes	60.6	48.0
Accrued interest	156.0	138.4
Other current liabilities	60.2	76.2
<b>Total current liabilities</b>	<b>709.3</b>	<b>665.3</b>
Long-term debt	6,271.4	5,358.2
Deferred income taxes	1,372.0	1,070.6
Other liabilities	532.0	662.9
<b>Total liabilities</b>	<b>8,884.7</b>	<b>7,757.0</b>
<b>Commitments and Contingencies (See Note 13)</b>		
<b>Shareholders' Equity:</b>		
Common stock, \$0.0001 par value, 1,000.0 shares authorized, 436.8 and 439.4 shares issued and outstanding, respectively	-	-
Additional paid-in capital	83.6	101.5
Accumulated other comprehensive loss	(208.3)	(336.6)
Retained earnings	385.4	487.4
<b>Total shareholders' equity</b>	<b>260.7</b>	<b>252.3</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 9,145.4</b>	<b>\$ 8,009.3</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31,

(Millions)	2009	2008	2007
<b>Cash Provided from Operations:</b>			
Net income	\$ 334.5	\$ 412.7	\$ 917.1
Adjustments to reconcile net income to net cash provided from operations:			
Gain on sale of publishing business	-	-	(451.3)
Loss on sale of wireless business	-	21.3	-
Depreciation and amortization	537.8	494.5	507.5
Provision for doubtful accounts	44.0	38.7	28.5
Stock-based compensation expense	17.4	18.1	15.9
Pension and postretirement benefits expense	97.1	13.9	39.3
Deferred taxes	96.8	110.0	13.0
Other, net	6.0	18.1	15.6
Changes in operating assets and liabilities, net			
Accounts receivable	(3.4)	(25.1)	(12.3)
Prepaid and other expenses	(17.9)	3.1	8.1
Accounts payable	9.6	(27.6)	(3.0)
Accrued interest	4.4	(1.1)	(9.1)
Accrued taxes	12.6	5.4	27.2
Other current liabilities	(12.4)	(1.3)	(48.7)
Other liabilities	(15.0)	(13.0)	(15.5)
Other, net	9.3	12.7	1.4
Net cash provided from operations	1,120.8	1,080.4	1,033.7
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(298.1)	(317.5)	(365.7)
Acquisition of D&E, net of cash acquired	(56.6)	-	-
Acquisition of Lexcom, net of cash acquired	(138.7)	-	-
Acquisition of CT Communications, net of cash acquired	-	-	(546.8)
Disposition of wireless business	-	56.7	-
Disposition of directory publishing business	-	-	40.0
Disposition of acquired assets held for sale	-	17.8	-
Other, net	0.6	9.9	5.4
Net cash used in investing activities	(492.8)	(233.1)	(867.1)
<b>Cash Flows from Financing Activities:</b>			
Dividends paid on common shares	(437.4)	(445.2)	(476.8)
Stock repurchase	(121.3)	(200.3)	(40.1)
Repayment of debt	(356.6)	(354.3)	(811.0)
Proceeds of debt issuance, net of discount	1,083.6	380.0	848.9
Debt issue costs	(33.8)	-	-
Other, net	3.8	(2.9)	(2.4)
Net cash provided from (used in) financing activities	138.3	(622.7)	(481.4)
Increase (decrease) in cash and cash equivalents	766.3	224.6	(314.8)
<b>Cash and Cash Equivalents:</b>			
Beginning of period	296.6	72.0	386.8
End of period	\$ 1,062.9	\$ 296.6	\$ 72.0
<b>Supplemental Cash Flow Disclosures:</b>			
Interest paid	\$ 395.5	\$ 412.5	\$ 441.2
Income taxes paid, net of refunds	\$ 118.7	\$ 175.6	\$ 205.8

The accompanying notes are an integral part of these consolidated financial statements.

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## **CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Millions, except per share amounts)	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2006	\$ 550.5	\$ (150.8)	\$ 70.1	\$ 469.8
Net income	-	-	917.1	917.1
Other comprehensive income (loss), net of tax: (See Note 11)	-	-	-	-
Change in employee benefit plans	-	73.4	-	73.4
Unrealized holding losses on interest rate swaps	-	(25.6)	-	(25.6)
Comprehensive income	-	47.8	917.1	964.9
Additional transfers from Alltel (See Note 7)	15.1	-	-	15.1
Stock-based compensation expense	15.9	-	-	15.9
Common shares retired pursuant to split off of directory business (See Note 3)	(253.5)	-	-	(253.5)
Stock repurchase	(40.1)	-	-	(40.1)
Other, net	(1.1)	-	-	(1.1)
Dividends of \$1.00 per share declared to stockholders	-	-	(471.2)	(471.2)
Balance at December 31, 2007	\$ 286.8	\$ (103.0)	\$ 516.0	\$ 699.8
Net income	-	-	412.7	412.7
Other comprehensive income (loss), net of tax: (See Note 11)	-	-	-	-
Change in employee benefit plans	-	(194.5)	-	(194.5)
Unrealized holding losses on interest rate swaps	-	(39.1)	-	(39.1)
Comprehensive income (loss)	-	(233.6)	412.7	179.1
Stock repurchase	(200.3)	-	-	(200.3)
Stock-based compensation expense	18.1	-	-	18.1
Tax withheld on vested restricted stock and other	(3.1)	-	-	(3.1)
Dividends of \$1.00 per share declared to stockholders	-	-	(441.3)	(441.3)
Balance at December 31, 2008	\$ 101.5	\$ (336.6)	\$ 487.4	\$ 252.3
Net income	-	-	334.5	334.5
Other comprehensive income, net of tax: (See Note 11)	-	-	-	-
Change in employee benefit plans	-	107.9	-	107.9
Unrealized holding gains on interest rate swaps	-	20.4	-	20.4
Comprehensive income	-	128.3	334.5	462.8
Stock repurchase	(121.3)	-	-	(121.3)
Stock-based compensation expense	17.4	-	-	17.4
Tax withheld on vested restricted stock and other	(8.6)	-	-	(8.6)
Stock issued to D&E shareholders (See Note 3)	94.6	-	-	94.6
Dividends of \$1.00 per share declared to stockholders	-	-	(436.5)	(436.5)
Balance at December 31, 2009	\$ 83.6	\$ (208.3)	\$ 385.4	\$ 260.7

The accompanying notes are an integral part of these consolidated financial statements.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Background and Basis for Presentation:

**Formation of Windstream** – On July 17, 2006, Alltel Corporation, which has subsequently merged with Verizon Communications, Inc. (“Alltel”), completed the spin off of its wireline telecommunications division and immediately merged with and into Valor Communications Group Inc. (“Valor”), with Valor continuing as the surviving corporation. The resulting company was renamed Windstream Corporation (“Windstream”, “we”, or the “Company”), which is a customer-focused telecommunications company that provides phone, high-speed Internet and digital television services. The Company also offers a wide range of IP-based voice and data services and advanced phone systems and equipment to businesses and government agencies. The Company serves approximately 3.0 million customers primarily located in rural areas in 16 states.

**Basis of Presentation** – The preparation of financial statements, in accordance with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

Certain prior year amounts have been reclassified to conform to the 2009 financial statement presentation. These changes and reclassifications did not impact net or comprehensive income.

#### 2. Summary of Significant Accounting Policies and Changes:

##### **Significant Accounting Policies**

**Consolidation of Financial Statements** – Our consolidated financial statements include the accounts of Windstream and its subsidiaries. All significant affiliated transactions have been eliminated.

**Cash and Cash Equivalents** – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

**Accounts Receivable** – Accounts receivable consist principally of trade receivables from customers and are generally unsecured and due within 30 days. Expected credit losses related to trade accounts receivable are recorded as an allowance for doubtful accounts in the consolidated balance sheets. In establishing the allowance for doubtful accounts, the Company considers a number of factors, including historical collection experience, aging of the accounts receivable balances, current economic conditions and a specific customer’s ability to meet its financial obligations to the Company. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up the Company’s customer base, thus spreading the credit risk. Due to varying customer billing cycle cut-off, the Company must estimate service revenues earned but not yet billed at the end of each reporting period. Included in accounts receivable are unbilled receivables related to communications revenues of \$29.2 million and \$31.6 million at December 31, 2009 and 2008, respectively.

**Inventories** – Inventories consist of finished goods and are stated at the lower of cost or market value. Cost is determined using either an average original cost or specific identification method of valuation.

**Assets Held For Sale** – During 2008, Windstream received net proceeds of \$17.3 million for assets acquired from CT Communications (“CTC”), which approximated the fair value at the date of acquisition, on the sale of the corporate headquarters building, a license for wireless spectrum and various investments designated as held for sale. During the third quarter of 2008, Windstream recognized a non-cash impairment charge of \$6.5 million included in selling, general, administrative and other in the accompanying consolidated statements of income to reduce the carrying value of certain wireless spectrum licenses designated as held for sale, and not used in operations, to their fair market value in accordance with authoritative guidance. The fair market value of these holdings was reduced to a nominal amount due to an impairment resulting from general market conditions and limited interest on this bandwidth of spectrum. In addition, during the third quarter of 2008, certain long term investments totaling \$2.3 million, primarily consisting of a minority ownership in a private equity investment

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 2. Summary of Significant Accounting Policies and Changes, Continued:

holding company, were no longer being marketed by Windstream and were no longer considered saleable within one year. Therefore, the Company reclassified these investments from acquired assets held for sale to other assets in the accompanying consolidated balance sheets at their current fair market value, which required no valuation adjustment. As of December 31, 2009 and 2008, the Company did not have any assets held for sale.

**Goodwill and Other Intangible Assets** – Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. The Company has acquired identifiable intangible assets through its acquisitions of interests in various wireline properties. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets is recorded as goodwill. In accordance with authoritative guidance, goodwill is to be assigned to a company's reporting units and tested for impairment at least annually using a consistent measurement date, which for the Company is January 1<sup>st</sup> of each year. Commensurate with its change from multiple segments to a single reporting segment during 2009, discussed further in "Accounting Changes – Change in Segment Presentation", the Company determined that it has only one reporting unit and therefore no longer uses a combination of the discounted cash flows and the calculated market values of comparable companies to determine the fair value of a reporting unit. Rather, the Company assesses impairment of its goodwill by evaluating the carrying value of its shareholders' equity against the current fair market value of its outstanding equity, where the fair market value of the Company's equity is equal to its current market capitalization plus a control premium estimated to be 20 percent through the review of recent market observable transactions involving wireline telecommunication companies.

Effective January 1, 2009, the Company prospectively changed its estimate of useful life for its franchise rights from indefinite-lived to 30 years primarily due to the effects of increasing competition. Commensurate with this change, the Company reviewed its franchise rights for impairment by comparing the fair value of the franchise rights based on the discounted cash flows of the acquired operations to their carrying amount, and noted that no impairment existed as of January 1, 2009. As a result of this change, amortization expense increased by \$32.3 million, calculated on a straight-line basis, and net income decreased \$19.8 million or \$0.05 per share in 2009.

**Net Property, Plant and Equipment** – Property, plant and equipment are stated at original cost. Wireline plant consists of central office equipment, outside communications plant and furniture, fixtures, vehicles, machinery and equipment. Other plant consists of office and warehouse facilities and software to support the business units in the distribution of telecommunications products. The costs of additions, replacements and substantial improvements, including related labor costs, are capitalized, while the costs of maintenance and repairs are expensed as incurred. Depreciation expense amounted to \$456.9 million in 2009, \$440.8 million in 2008 and \$454.7 million in 2007.

Net property, plant and equipment consisted of the following as of December 31:

(Millions)	Depreciable Lives	2009	2008
Land		\$ 28.0	\$ 24.2
Building and improvements	3-40 years	478.9	433.9
Central office equipment	3-40 years	4,040.1	3,834.0
Outside communications plant	7-47 years	4,843.9	4,614.8
Furniture, vehicles and other equipment	3-23 years	496.3	450.6
Construction in progress		98.5	113.4
		9,985.7	9,470.9
Less accumulated depreciation		(5,993.1)	(5,573.8)
Net property, plant and equipment		\$ 3,992.6	\$ 3,897.1

The Company's regulated operations use a group composite depreciation method. Under this method, when plant is retired, the original cost, net of salvage value, is charged against accumulated depreciation and no gain or loss is recognized on the disposition of the plant. For the Company's non-regulated operations, when depreciable plant is retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, with the corresponding gain or loss reflected in operating results.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 2. Summary of Significant Accounting Policies and Changes, Continued:

The Company capitalizes interest in connection with the acquisition or construction of plant assets. Capitalized interest is included in the cost of the asset with a corresponding reduction in interest expense. Capitalized interest amounted to \$1.7 million in 2009, \$1.9 million in 2008 and \$3.7 million in 2007.

**Asset Retirement Obligations** – Windstream recognizes asset retirement obligations in accordance with authoritative guidance on accounting for asset retirement obligations and on accounting for conditional asset retirement obligations, which requires recognition of a liability for the fair value of an asset retirement obligation if the amount can be reasonably estimated. Windstream's asset retirement obligations include legal obligations to remediate the asbestos in certain buildings if the Company were to abandon, sell or otherwise dispose of the buildings and to dispose of its chemically-treated telephone poles at the time they are removed from service. These asset retirement obligations, totaled \$34.8 million and \$44.6 million as of December 31, 2009 and 2008, respectively, and are included in other long term liabilities in the accompanying consolidated balance sheets.

**Derivative Instruments** – Windstream accounts for its derivative instruments using authoritative guidance for disclosures about derivative instruments and hedging activities, including when a derivative or other financial instrument can be designated as a hedge, and requires recognition of all derivative instruments at fair value. Accounting for the changes in fair value depends on whether the derivative has been designated as, qualifies as and is effective as a hedge. Changes in fair value of the effective portions of hedges should be recorded as a component of other comprehensive income in the current period. Changes in fair values of the derivative instruments not qualifying as hedges, or of any ineffective portion of hedges, should be recognized in earnings in the current period.

Windstream has entered into four identical pay fixed, receive variable interest rate swap agreements totaling \$1,600.0 million in notional value in order to mitigate the interest rate risk inherent in its variable rate senior secured credit facility. The four interest rate swap agreements amortize quarterly to a notional value of \$906.3 million at maturity on July 17, 2013. The variable rate received resets on the seventeenth day of each quarter to the three-month LIBOR (London-Interbank Offered Rate). The Company's interest rate swap agreements are designated as cash flow hedges of the interest rate risk created by the variable interest rate paid on Tranche B of the senior secured credit facility, which has varying maturities dates from July 17, 2013 to December 17, 2015 as a result of an amendment to the credit facility (see Note 5). The variable interest rate paid on Tranche B is based on the three-month LIBOR, which resets on the seventeenth day of each quarter, plus a fixed basis point spread.

After the completion of a refinancing transaction in February 2007, a portion of one of the four interest rate swap agreements with a notional value of \$125.0 million (\$96.3 million as of December 31, 2009) was de-designated as the corresponding hedged item was repaid. Therefore, the undesignated portion of the swap agreement was no longer an effective hedge of the variable interest rate paid on Tranche B.

Set forth below is information related to the Company's interest rate swap agreements as of December 31:

(Millions, except for percentages)	2009	2008	2007
Unamortized notional value:			
Designated portion	\$ 1,078.7	\$ 1,176.2	\$ 1,296.7
Undesignated portion	\$ 96.3	\$ 105.0	\$ 115.8
Fair value of interest rate swap agreements (see Note 6):			
Designated portion	\$ (107.8)	\$ (140.8)	\$ (76.4)
Undesignated portion	\$ (9.6)	\$ (12.6)	\$ (6.8)
Weighted average fixed rate paid	5.60%	5.60%	5.60%
Variable rate received	0.28%	4.55%	5.21%

The effectiveness of the Company's cash flow hedges is assessed each quarter using the "Change in Variable Cash Flow Method". This method utilizes the matched terms principle of measuring effectiveness, and requires the floating-rate leg of the swap and the hedged variable cash flows of the asset or liability to be based on the same interest rate index. It also requires the variable interest rates of both instruments to reset on the same dates. Furthermore, there should be no other differences in the terms of the hedge and the hedged item, and the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies and Changes, Continued:

likelihood of default by the interest rate swap counterparties must be assessed as being unlikely in order to conclude that there is no ineffectiveness in the hedging relationship. The Company performs and documents this assessment each quarter, and has concluded at December 31, 2009 that there was no ineffectiveness to be recognized in earnings in any of its four interest rate swap agreements that are designated as hedges.

The Company recognizes all derivative instruments at fair value in the accompanying consolidated balance sheets as either assets or liabilities depending on the rights or obligations under the related contracts. Changes in fair value of these derivative instruments were as follows for the years ended December 31:

(Millions)	2009	2008	2007
Changes in fair value of effective portion, net of tax (a)	\$ 20.4	\$ (39.1)	\$ (25.6)
Changes in fair value of undesignated portion (b)	\$ 3.0	\$ (5.8)	\$ (3.1)

(a) Included as a component of other comprehensive income (loss) and will be reclassified into earnings as the hedged transaction affects earnings.

(b) Represents non-cash income recorded in other income, net in the accompanying consolidated statements of income.

Net amounts due related to designated interest rate swap agreements are recorded as adjustments to interest expense in the accompanying consolidated statements of income when earned or payable.

**Revenue Recognition** – Service revenues are primarily derived from providing access to or usage of the Company's networks and facilities. Wireline local access revenues are recognized over the period that the corresponding services are rendered to customers. Revenues derived from other telecommunications services, including interconnection, long distance and custom calling feature revenues are recognized monthly as services are provided. Sales of communications products including customer premise equipment and modems are recognized when products are delivered to and accepted by customers. Fees assessed to customers for service activation are deferred upon service activation and recognized as service revenue on a straight-line basis over the expected life of the customer relationship in accordance with authoritative guidance on multiple element arrangements. Costs associated with activating such services, up to the related amount of deferred revenue, are deferred and recognized as an operating expense over the same period. Prior to the sale of Windstream Yellow Pages, advertising revenues associated with directory publishing and the related directory costs were recognized when the directories were published and delivered. For directory contracts with a secondary delivery obligation, Windstream Yellow Pages deferred a portion of its revenues and related directory costs until second delivery occurred.

**Advertising** – Advertising costs are expensed as incurred. Advertising expense totaled \$46.6 million in 2009, \$50.0 million in 2008 and \$51.7 million in 2007.

**Share-Based Compensation** – In accordance with authoritative guidance on share-based compensation, the Company values all share-based awards to employees at fair value on the date of the grant, and recognizes that value as compensation expense over the period that each award vests. This expense is included in cost of services and selling, general, administrative and other expenses in the accompanying consolidated statements of income.

**Operating Leases** – Certain of the Company's operating lease agreements include scheduled rent escalations during the initial lease term and/or during succeeding optional renewal periods. Windstream accounts for these operating leases in accordance with authoritative guidance for operating leases with nonlevel rents. Accordingly, the scheduled increases in rent expense are recognized on a straight-line basis over the initial lease term and those renewal periods that are reasonably assured. The difference between rent expense and rent paid is recorded as deferred rent and is included in other liabilities in the accompanying consolidated balance sheets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term, including renewal option periods that are reasonably assured.

**Income Taxes** – The Company accounts for income taxes in accordance with guidance on accounting for income taxes, under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 2. Summary of Significant Accounting Policies and Changes, Continued:

future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period of the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Windstream adopted authoritative guidance for accounting for uncertainty in income taxes, on January 1, 2007. The adoption of this guidance resulted in no impact to either the Company's reserves for uncertain tax positions or to retained earnings. A reconciliation of the unrecognized tax benefits is as follows:

(Millions)	2009	2008	2007
Beginning balance	\$ 6.1	\$ 7.4	\$ 1.3
Additions based on D&E acquisition	0.3	-	-
Additions based on Lexcom acquisition	0.1	-	-
Additions based on CTC acquisition	-	-	7.2
Additions based on tax positions related to current year	-	0.7	-
Additions based on tax positions of prior years	-	-	0.7
Reductions for tax positions of prior years	(0.8)	(1.2)	(0.2)
Reduction as a result of a lapse of the applicable statute of limitations	(1.4)	(0.8)	(0.2)
Settlements	-	-	(1.4)
Ending balance	\$ 4.3	\$ 6.1	\$ 7.4

The Company does not expect or anticipate a significant increase or decrease over the next twelve months in the unrecognized tax benefits reported above. The total amount of unrecognized tax benefits, if recognized, that would affect the effective tax rate is \$2.3 million and \$1.9 million (net of indirect benefits) for years ended December 31, 2009 and 2008, respectively.

Included in the balance at December 31, 2009 and 2008, are \$1.3 million and \$3.4 million, respectively, of gross tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of the deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. These unrecognized tax benefits are included in other long-term liabilities in the accompanying consolidated balance sheets for the years ended December 31, 2009 and 2008.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2005. The Company has identified Arkansas, Florida, Georgia, Kentucky, Nebraska, North Carolina and Texas as "major" state taxing jurisdictions.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. During the years ended December 31, 2009 and 2008, the Company recognized approximately \$0.5 million in interest and penalties for each period. Furthermore, the Company had approximately \$0.9 million and \$1.3 million for the payment of interest and penalties accrued as of December 31, 2009 and 2008, respectively.

**Earnings Per Share** – Basic earnings per share was computed by dividing net income applicable to common shares by the weighted average number of common shares outstanding during each period. Windstream's non-vested restricted shares that contain a non-forfeitable right to receive dividends on a one-to-one per share ratio to common shares are considered participating securities, and the impact is included in the computation of basic earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings attributable to common shares and participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Earnings per common share was computed by dividing the sum of distributed earnings and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies and Changes, Continued:**

In applying the two-class method, undistributed earnings are allocated to both common shares and non-vested restricted shares based on the pro-rata weighted average shares outstanding during the period. The Company also computed dilutive earnings per share using the two-class method as this method is more dilutive than the treasury stock method.

Under this method, Windstream's diluted earnings per share is equal to the Company's calculated basic earnings per share. Effective January 1, 2009, the Company adopted this revised authoritative guidance for calculating earnings per share, and commensurate therewith, has retrospectively adjusted prior period earnings per share data, the impact of which was immaterial.

A reconciliation of net income and number of shares used in computing basic and diluted earnings per share was as follows for the years ended December 31:

(Millions, except per share amounts)	2009	2008	2007
<b>Basic and diluted earnings per share:</b>			
Numerator:			
Income from continuing operations	\$ 334.5	\$ 434.9	\$ 916.4
Income from continuing operations allocable to non-vested restricted shares	(3.6)	(3.7)	(6.7)
Adjusted income from continuing operations available to common shares	330.9	431.2	909.7
Income (loss) from discontinued operations	-	(22.2)	0.7
Income (loss) from discontinued operations allocable to non-vested restricted shares	-	-	-
Adjusted income from discontinued operations available to common shares	-	(22.2)	0.7
Net income available to common shares	\$ 330.9	\$ 409.0	\$ 910.4
Denominator:			
Weighted average common shares outstanding for the period	432.9	440.7	471.9
<b>Basic and diluted earnings per share:</b>			
From continuing operations	\$ .76	\$ .98	\$1.93
From discontinued operations	-	(.05)	-
Net income	\$ .76	\$ .93	\$1.93

**Related Party Transactions** – On November 30, 2007 Windstream completed the split off of its directory publishing business in a tax-free transaction with entities affiliated with Welsh, Carson, Anderson and Stowe ("WCAS"), a private equity investment firm and a Windstream shareholder. The Company received \$506.7 million in consideration in exchange for its publishing business (see Note 3). In connection with the announcement of the transaction, Anthony J. deNicola, a general partner of WCAS, resigned from the Windstream Board of Directors on December 14, 2006.

**Accounting Changes**

**Change in Accounting Estimate** – Effective January 1, 2009, the Company prospectively changed its estimate of useful life for its franchise rights from indefinite-lived to 30 years, primarily due to the effects of increasing competition. Commensurate with this change, the Company reviewed its franchise rights for impairment and noted that no impairment existed as of January 1, 2009. See "Significant Accounting Policies – Goodwill and Other Intangible Assets" for further discussion.

Effective October 1, 2007, the Company prospectively reduced the depreciable rates of assets held and used in its operations in Georgia, Kentucky, Mississippi, Nebraska, New York, Ohio and Oklahoma, and to reflect the results of studies completed in the fourth quarter of 2007. In addition, during April 2007, the Company completed studies of the depreciable lives of assets held and used in its Missouri operations and in an operating subsidiary in Texas.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies and Changes, Continued:**

The related depreciation rates were changed effective April 1, 2007. The depreciable lives were lengthened to reflect the estimated remaining useful lives of the wireline plant based on the Company's expected future network utilization and capital expenditure levels required to provide service to its customers. The impact of the change in depreciation rates on the operations discussed above resulted in a decrease in depreciation expense of \$38.9 million and \$17.8 million and an increase in net income of \$24.2 million and \$11.4 million in 2008 and 2007, respectively.

**Change in Segment Presentation** – In the first quarter of 2009, the Company reorganized its operations to integrate the sales and administrative functions of the product distribution segment into its wireline operations. As a result of this change, the chief operating decision maker no longer reviews the financial statements of the product distribution operations on a stand alone basis and the Company operates its wireline and product distribution operations as a single reporting segment ("the wireline segment"). As required by the authoritative guidance for segment presentation, segment results of operations have been retrospectively adjusted to reflect this change for all periods presented.

**Recently Adopted Accounting Standards**

**Accounting Standards Codification** – In the third quarter of 2009, Windstream adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification") as the single authoritative source for U.S. GAAP. The Codification superseded all existing accounting standard documents and other accounting literature became nonauthoritative and simplified user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. As a result, Windstream has removed all references to superseded accounting standards in its consolidated financial statements and accompanying notes.

**Subsequent Events** – In the second quarter of 2009, Windstream adopted the authoritative guidance for subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. This guidance sets forth the period after the balance sheet date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Subsequent events have been evaluated through February 24, 2010, the date the financial statements were issued.

**Fair Value Measurements** – On January 1, 2008, Windstream adopted authoritative guidance for fair value measurements of financial assets and liabilities and non-financial assets and liabilities recognized or disclosed at fair value on a recurring basis. This authoritative guidance clarified the definition of fair value, established a framework for measuring fair value and expanded the disclosures related to fair value measurements that are included in a company's financial statements. It emphasized that fair value is a market-based measurement and not an entity-specific measurement, and that it should be based on an exchange transaction in which a company sells an asset or transfers a liability. The guidance also established a fair value hierarchy in which observable market data would be considered the highest level, while fair value measurements based on an entity's own assumptions would be considered the lowest level. The Company adopted the provisions of this guidance for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis, except items recognized or disclosed at fair value on an annual or more frequently recurring basis, on January 1, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Effective April 1, 2009, Windstream adopted authoritative guidance for determining fair value when the volume and level of activity for an asset or liability has significantly decreased and identifying transactions that are not orderly. This guidance provided additional direction for estimating fair value, in accordance with other authoritative guidance related to fair value measurements, when the volume and level of activity for a financial asset or liability has significantly decreased. This guidance also offers directives on identifying circumstances that indicate when a transaction is not orderly. There was no impact to Windstream's consolidated financial statements upon adoption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies and Changes, Continued:

On August 28, 2009, the FASB updated the authoritative guidance for fair value measurements to clarify that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities or similar liabilities when traded as assets and/or 2) a valuation technique that is consistent with fair value measurement principles (e.g. an income approach or market approach). The amendment also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The adoption of this guidance did not impact Windstream's consolidated financial statements.

On September 30, 2009, the FASB updated the authoritative guidance to allow a reporting entity to measure the fair value of certain alternative investments on the basis of net asset value per share of the investment if the net asset value of the investment is calculated in a manner consistent with the measurement principles of investment companies. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Business Combinations – Effective January 1, 2009, Windstream adopted the revised authoritative guidance for business combinations which establishes principles and requirements for how the acquirer in a business combination recognizes all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. The revised guidance changed the accounting treatment for certain specific items, including acquisition costs, acquired contingent liabilities, restructuring costs, deferred tax asset valuation allowances and income tax uncertainties after the acquisition date. In addition, a substantial number of new disclosures are also required.

In April 2009, the FASB amended the authoritative guidance for subsequent business combinations to require contingent assets acquired or liabilities assumed be initially recognized at fair value at the acquisition date if fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the asset acquired or liability assumed arising from a contingency is recognized only if certain criteria are met. This guidance also requires that a systematic and rational basis for subsequently measuring and accounting for the assets or liabilities be developed depending on their nature. See Note 3 for a discussion of the Company's application of this guidance to its acquisitions of D&E Communications, Inc. ("D&E") and Lexcom, Inc. ("Lexcom").

Noncontrolling Interests in Consolidated Financial Statements – On January 1, 2009, Windstream adopted authoritative guidance for noncontrolling interests in consolidated financial statements. Windstream does not have any non-controlling interests, and thus the adoption of this guidance did not impact the Company's consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities – On January 1, 2009, Windstream adopted authoritative guidance for disclosures about derivative instruments and hedging activities, which requires companies with derivative instruments to disclose information to enable financial statement users to understand how and why a company uses derivative instruments, how authoritative accounting guidance is applied to derivative instruments and related hedged items, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. See "Significant Accounting Policies – Derivative Instruments" for disclosures required under this authoritative guidance.

Determination of the Useful Life of Intangible Assets – Effective January 1, 2009, Windstream adopted authoritative guidance amending the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset and requiring disclosures to enable users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. Windstream considered its historical experience in renewing the Company's franchise rights and determined that it is consistent with previous renewal assumptions used in the determination of useful lives. Thus, the adoption of this guidance did not impact Windstream's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies and Changes, Continued:**

Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities – On January 1, 2009, the Company adopted authoritative guidance for determining whether instruments granted in share-based payment transactions are participating securities. Under this guidance, Windstream's non-vested share-based payment awards that contain a nonforfeitable right to receive dividends, whether paid or unpaid, are considered participating securities and have been included in the computation of basic earnings per share pursuant to the two-class method, and are no longer considered potentially dilutive. Basic and diluted earnings per share have been retrospectively adjusted as a result of the adoption of this guidance. See "Significant Accounting Policies – Earnings Per Share" for calculation.

Employers' Disclosures about Postretirement Benefit Plan Assets – Effective January 1, 2009, Windstream adopted authoritative guidance for employers' disclosures about postretirement benefit plan assets, which requires employer's to disclose:

- the fair value of each major category of plan assets as of each annual reporting date for which a statement of financial position is presented,
- the inputs and valuation techniques used to develop fair value measurements of plan assets at the annual reporting date, including the level within the fair value hierarchy in which the fair value measurements fall as defined by authoritative guidance for fair value measurements,
- investment policies and strategies, including target allocation percentages, and
- significant concentrations of risk in plan assets.

See Note 8 for disclosures required under this authoritative guidance.

**Recently Issued Authoritative Guidance**

Revenue Arrangements with Multiple Element Deliverables – On September 23, 2009, the FASB reached a consensus on accounting for revenue arrangements with multiple deliverables. The consensus addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, and how the arrangement consideration should be allocated among the separate units of accounting. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

Determining the Primary Beneficiary of a Variable Interest Entity – On June 12, 2009, the FASB revised the authoritative guidance for determining the primary beneficiary of a variable interest entity to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a variable interest entity. This guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2009. The Company does not expect this guidance to have any impact on its consolidated financial statements.

Accounting for Transfers of Financial Assets – In June 2009, the FASB issued authoritative guidance related to accounting for transfers of financial assets, which includes:

- eliminating the qualifying special-purpose entity concept,
- a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting,
- clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale,
- a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor, and
- extensive new disclosures.

The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2009. The Company is currently evaluating the impact, if any, that this guidance will have on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. **Acquisitions and Dispositions:**

Acquisition of Lexcom – On December 1, 2009, we completed our previously announced acquisition of Lexcom, which as of the date of acquisition served approximately 22,000 access lines, 9,000 high-speed Internet customers and 12,000 cable television customers in North Carolina. This acquisition increased Windstream's presence in North Carolina and provides the opportunity for operating synergies with contiguous Windstream markets. In accordance with the Lexcom merger agreement, Windstream acquired all of the issued and outstanding shares of Lexcom for approximately \$138.7 million in cash, net of cash acquired.

Acquisition of D&E – On November 10, 2009, we completed our previously announced merger with D&E, which as of the date of acquisition served approximately 110,000 incumbent local exchange carrier access lines, 35,000 competitive local exchange carrier access lines, 45,000 high-speed Internet customers and 9,000 cable television customers. This acquisition increased Windstream's presence in Pennsylvania and provides the opportunity for operating synergies with contiguous Windstream markets in Pennsylvania. Pursuant to the merger agreement, Windstream acquired all of the issued and outstanding shares of common stock of D&E, and D&E merged with and into a wholly-owned subsidiary of Windstream.

In accordance with the D&E Merger Agreement, D&E shareholders received 0.650 shares of Windstream common stock and \$5.00 in cash per each share of D&E Common Stock. Windstream issued approximately 9.4 million shares of its common stock valued at approximately \$94.6 million, based on Windstream's closing stock price of \$10.06 on November 9, 2009, and paid \$56.6 million, net of cash acquired, as part of the transaction. Subsequently, Windstream repaid outstanding debt of D&E totaling \$182.4 million including current maturities.

These transactions have been accounted for as business acquisitions with Windstream serving as the accounting acquirer. We have conducted appraisals necessary to assess the fair values of the assets acquired and liabilities assumed and the amount of goodwill recognized as of the respective acquisition dates. Since the value of certain assets and liabilities are preliminary, primarily deferred income taxes, they are subject to adjustment as additional information is obtained about the facts and circumstances that existed as of the respective acquisition dates. Upon finalization, any changes to the preliminary valuation of assets acquired and liabilities assumed may result in significant adjustments to the fair value of goodwill. The accompanying consolidated financial statements reflect the combined operations of Windstream with D&E and Lexcom for the periods following the respective acquisition dates. Employee severance and transaction costs incurred by the Company in conjunction with these acquisitions have been expensed to merger and integration expense in the accompanying consolidated statements of income in accordance with the revised authoritative guidance for business combinations (see Notes 2 and 10).

The costs of the acquisitions were allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates, with amounts exceeding fair value recognized as goodwill. The fair values of the assets acquired and liabilities assumed were determined using income, cost, and market approaches. Wireless licenses were valued using a market based approach, while other intangibles primarily consisting of franchise rights and customer lists were valued primarily on the basis of the present value of future cash flows, which is an income based approach. Significant assumptions utilized in the income approach were based on Company specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was used, as appropriate, for property, plant and equipment. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation. The fair value of the long-term debt and associated interest rate swap agreements assumed from D&E were determined primarily based on quoted prices.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Acquisitions and Dispositions, Continued:

The following table summarizes the preliminary allocation to the assets acquired and liabilities assumed:

(Millions)	Lexcom	D&E
Fair value of assets acquired:		
Current assets	\$ 5.1	\$ 16.7
Property, plant and equipment	73.1	195.1
Goodwill (a)	58.1	88.1
Franchise rights	20.1	80.0
Cable franchise rights	11.6	-
Customer lists	10.5	60.0
Wireless licenses	-	16.6
Non compete agreements	-	1.7
Trade names	0.3	1.2
Other assets	1.3	2.6
Total assets acquired	180.1	462.0
Fair value of liabilities assumed:		
Current liabilities	(3.3)	(26.3)
Deferred income taxes established on acquired assets	(37.6)	(94.0)
Long-term debt	-	(175.3)
Other liabilities	(0.5)	(15.2)
Total liabilities assumed	(41.4)	(310.8)
Common stock issued (inclusive of additional paid in capital)	-	(94.6)
Cash paid, net of cash acquired	\$ 138.7	\$ 56.6

- (a) Goodwill associated with the acquired companies is attributable to the workforce of the acquired businesses and synergies expected to arise with contiguous Windstream markets after the acquisitions. None of the goodwill recognized in these transactions is expected to be deductible for income tax purposes.

Pro forma financial results related to the acquisitions of D&E and Lexcom have not been included because the Company does not consider these acquisitions to be significant individually or in the aggregate.

**Acquisition of CTC** – On August 31, 2007, Windstream completed the acquisition of CTC in a transaction valued at \$584.3 million. Under the terms of the agreement the shareholders of CTC received \$31.50 in cash for each of their shares with a total cash payout of \$652.2 million. The transaction value also includes a payment of \$37.5 million made by Windstream to satisfy CTC's debt obligations, offset by \$105.4 million in cash and short-term investments held by CTC. Including \$25.3 million in severance and other transaction-related expenses, the total net consideration paid in the acquisition was \$609.6 million. Windstream financed the transaction using the cash acquired from CTC, \$250.0 million in borrowings available under its revolving line of credit, and additional cash on hand. The premium paid by Windstream in this transaction is attributable to the strategic importance of the CTC acquisition. The access lines and high-speed Internet customers added through the acquisition significantly increased Windstream's presence in North Carolina and provided the opportunity to generate significant operating efficiencies with contiguous Windstream markets.

The transaction was accounted for as the acquisition of a business in accordance with authoritative guidance on business combinations, with Windstream serving as the accounting acquirer. The accompanying consolidated financial statements reflect the combined operations of Windstream and CTC following the acquisition on August 31, 2007.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. Acquisitions and Dispositions, Continued:**

The cost of the acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as of the acquisition date with amounts exceeding fair value being recorded in goodwill and is presented as follows:

(Millions)	Total
Fair value of assets acquired:	
Current assets	\$ 30.8
Acquired assets held for sale	29.0
Property, plant and equipment	197.3
Goodwill (a)	307.3
Franchise rights	90.0
Customer lists	53.0
Wireless licenses	7.0
Other assets	8.5
Total assets acquired	722.9
Fair value of liabilities assumed:	
Current liabilities	(42.5)
Deferred income taxes established on acquired assets	(77.8)
Long-term debt	(37.5)
Other liabilities	(18.3)
Total liabilities assumed	(176.1)
Acquisition of CTC, net of cash acquired	\$ 546.8

(a) None of the goodwill recognized in this transaction is deductible for income tax purposes.

Included in the valuation of current liabilities were \$25.3 million in capitalized transaction and employee-related costs, which are included in the total cost of the acquisition of \$609.6 million. Of these costs, \$10.5 million was paid in 2008 and is included in net cash flows from operations in the accompanying statement of cash flows.

Pro forma financial results related to the acquisition of CTC have not been included because the Company does not consider the CTC acquisition to be significant.

**Disposition of Out of Territory Product Distribution** – On August 21, 2009, Windstream completed the sale of its out of territory product distribution operations to Walker and Associates of North Carolina, Inc. (“Walker”) for approximately \$5.3 million in total consideration. The out of territory product distribution operations primarily consisted of product inventory with a carrying value of \$4.9 million and customer relationships outside of Windstream’s telecommunications operating territories. These operations were not central to the Company’s strategic goals in its core communications business. Product revenues from these operations totaled \$38.5 million and \$76.2 million during 2009 and 2008, respectively, with related cost of products sold of \$34.3 million and \$68.3 million for the same periods in 2009 and 2008, respectively. In conjunction with this transaction, Windstream recognized a gain of \$0.4 million in other income, net in its consolidated statements of income in 2009.

**Disposition of Wireless Business** – On November 21, 2008, Windstream completed the sale of its wireless business to AT&T Mobility II, LLC for approximately \$56.7 million. The completion of this transaction resulted in the divestiture of approximately 52,000 wireless customers, spectrum licenses and cell sites covering a four-county area of North Carolina with a population of approximately 450,000 and six retail locations. As a result of completing this transaction, we have no significant continuing involvement in the operations or cash flows of the wireless business.

The operating results of the wireless business have been separately presented as discontinued operations in the accompanying consolidated statements of income. Certain shared costs previously allocated to the wireless business totaling \$2.3 million during 2008 have been reallocated to the wireline segment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 3. Acquisitions and Dispositions, Continued:

The following table summarizes the results of the wireless business for the years ended December 31:

(Millions)	2008	2007
Revenues and sales	\$ 42.0	\$ 14.9
Operating income from discontinued operations	9.7	1.2
Loss on sale of wireless business	(21.3)	
Income tax expense	(10.6)	(0.5)
Net income (loss) from discontinued operations	\$ (22.2)	\$ 0.7

The pre-tax loss of \$21.3 million was comprised of \$1.0 million in transaction related fees and a \$20.3 million reduction in goodwill to reduce the carrying value of the wireless business net assets to the transaction price. Additionally, in the second quarter of 2008, the Company updated its purchase price allocation through goodwill for certain tax contingencies, which resulted in a \$3.2 million reduction of deferred tax liabilities. Upon completion of the sale, the Company recorded additional tax expense of \$9.7 million related to goodwill that was not deductible for tax purposes.

**Disposition of Directory Publishing Business** – On November 30, 2007, Windstream completed the split off of its directory publishing business (the “publishing business”) in a tax-free transaction with entities affiliated with WCAS, a private equity investment firm and Windstream shareholder.

To facilitate the split off transaction, Windstream contributed the publishing business to a newly formed subsidiary (“Holdings”). Holdings paid a special cash dividend to Windstream in an amount of \$40.0 million, issued additional shares of Holdings common stock to Windstream, and distributed to Windstream certain debt securities of Holdings having an aggregate principal amount of \$210.5 million. Windstream exchanged the Holdings debt securities for outstanding Windstream debt securities with an equivalent fair market value, and then retired those securities. Windstream used the proceeds of the special dividend to repurchase approximately three million shares of Windstream common stock during the fourth quarter. Windstream exchanged all of the outstanding equity of Holdings (the “Holdings Shares”) for an aggregate of 19,574,422 shares of Windstream common stock (the “Exchanged WIN Shares”) owned by WCAS, which were then retired. Based on the price of Windstream common stock of \$12.95 at November 30, 2007, the Exchanged WIN Shares had a value of \$253.5 million. The total value of the transaction was \$506.7 million, including an adjustment for net working capital of approximately \$2.7 million. As a result of completing this transaction, Windstream recorded a gain on the sale of its publishing business of \$451.3 million in the fourth quarter of 2007, after substantially all performance obligations had been fulfilled.

In connection with the consummation of the transaction, the parties and their affiliates entered into a publishing agreement whereby Windstream granted Local Insight Yellow Pages, Inc. (“Local Insight Yellow Pages”), the successor to the Windstream subsidiary that once operated the publishing business, an exclusive license to publish Windstream directories in each of its markets other than the newly acquired CTC markets. Local Insight Yellow Pages will, at no charge to Windstream or its affiliates or subscribers, publish directories with respect to each Windstream service area covered under the agreement in which Windstream or its affiliates are required to publish such directories by applicable law, tariff or contract. Subject to the termination provisions in the agreement, the publishing agreement will remain in effect for a term of fifty years. As part of this agreement, Windstream agreed to forego future royalty payments from Local Insight Yellow Pages on advertising revenues generated from covered directories for the duration of the publishing agreement. The wireline segment recognized approximately \$56.0 million in royalty revenues during the eleven months ended November 30, 2007.

Pro forma financial results related to the disposition of the publishing business have not been included because the Company does not consider the results of the publishing business, prior to the gain on sale, to be significant.

## 4. Goodwill and Other Intangible Assets:

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets has been recorded as goodwill.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. Goodwill and Other Intangible Assets, Continued:**

Changes in the carrying amount of goodwill were as follows:

(Millions)	
Balance at December 31, 2007	\$ 2,224.2
Adjustments to Valor and CTC deferred taxes	(26.0)
Balance at December 31, 2008	2,198.2
Acquisition of D&E (See Note 3)	88.1
Acquisition of Lexcom (See Note 3)	58.1
Balance at December 31, 2009	\$ 2,344.4

As of January 1, 2009, the Company completed the annual impairment review of its goodwill according to authoritative guidance and determined that no write-down in the carrying value of this asset was required. See Note 2 for a discussion of the Company's goodwill valuation approach.

On November 21, 2008, Windstream completed the sale of its wireless business. During the second quarter of 2008 the Company reclassified the associated assets as held for sale, including \$52.2 million of goodwill and \$13.4 million of other intangible assets. Commensurate with the classification of the wireless assets as held for sale, the Company performed an event driven impairment analysis and recognized a corresponding impairment loss through goodwill of \$20.3 million to reduce the carrying value of the assets to the contemplated transaction price less cost to sell (see Note 2).

Intangible assets were as follows at December 31:

(Millions)	2009			2008		
	Gross Cost	Accumulated Amortization	Net Carrying Value	Gross Cost	Accumulated Amortization	Net Carrying Value
Franchise rights (a) (b)	\$ 1,055.1	\$ (32.3)	\$ 1,022.8	\$ 955.0	\$ -	\$ 955.0
Customer lists (a)	393.1	(193.7)	199.4	322.6	(147.0)	175.6
Cable franchise rights (a)	34.1	(22.4)	11.7	22.5	(20.9)	1.6
Wireless license (a) (c)	16.6	-	16.6	-	-	-
Other (a)	3.2	(0.4)	2.8	-	-	-
Balance	\$ 1,502.1	\$ (248.8)	\$ 1,253.3	\$ 1,300.1	\$ (167.9)	\$ 1,132.2

- (a) Increases in the gross cost of intangible assets during 2009 were associated with the acquisitions of D&E and Lexcom as previously discussed in Note 3.
- (b) As discussed in Note 2, effective January 1, 2009, the Company prospectively changed its assessment of useful life for its franchise rights from indefinite-lived to 30 years. Effective with this change, these rights are now amortized on a straight-line basis in accordance with the way in which these operations are expected to contribute to the undiscounted cash flows of the Company.
- (c) The Company considers its wireless licenses to have an indefinite useful life.

Intangible asset amortization methodology and useful lives were as follows as of December 31, 2009:

Intangible Assets	Amortization Methodology	Estimated Useful Life
Franchise rights	straight-line	30 years
Customer lists	sum of years digits	9 - 10 years
Cable franchise rights	straight-line	15 years
Other	straight-line	1 - 2 years

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4. Goodwill and Other Intangible Assets, Continued:

Amortization expense for intangible assets subject to amortization was \$80.9 million in 2009, \$51.9 million in 2008 and \$51.3 million in 2007. Amortization expense for intangible assets subject to amortization is estimated to be \$91.1 million, \$81.8 million, \$74.2 million, \$60.3 million and \$53.0 million in 2010, 2011, 2012, 2013 and 2014, respectively.

### 5. Debt:

Long-term debt was as follows at December 31:

(Millions)	2009	2008
<b>Issued by Windstream Corporation:</b>		
Senior secured credit facility, Tranche A – variable rates, due July 17, 2011 (a)	\$ 114.4	\$ 283.3
Senior secured credit facility, Tranche A2 – variable rates, due July 17, 2013 (a)	168.9	-
Senior secured credit facility, Tranche B – variable rates, due July 17, 2013 (a)	289.8	1,379.0
Senior secured credit facility, Tranche B2 – variable rates, due December 17, 2015 (a)	1,075.3	-
Senior secured credit facility, Revolving line of credit – variable rates, due July 17, 2011 and July 17, 2013 (a) (b)	-	150.0
Debentures and notes, without collateral:		
2016 Notes – 8.625%, due August 1, 2016 (d)	1,746.0	1,746.0
2017 Notes – 7.875%, due November 1, 2017 (c) (d)	1,100.0	-
2013 Notes – 8.125%, due August 1, 2013 (d)	800.0	800.0
2019 Notes – 7.000%, due March 15, 2019 (d)	500.0	500.0
<b>Issued by subsidiaries of the Company:</b>		
Valor Telecommunications Enterprises LLC and Valor Telecommunications Finance Corp. – 7.75%, due February 15, 2015 (d) (e)	400.0	400.0
Windstream Holdings of the Midwest, Inc. – 6.75%, due April 1, 2028 (d) (e)	100.0	100.0
Debentures and notes, without collateral:		
Windstream Georgia Communications LLC – 6.50%, due November 15, 2013	40.0	50.0
Teleview, LLC – 7.00%, due January 2, 2010	-	0.3
Discount on long-term debt, net of premiums	(39.2)	(26.1)
	6,295.2	5,382.5
Less current maturities	(23.8)	(24.3)
<b>Total long-term debt</b>	<b>\$ 6,271.4</b>	<b>\$ 5,358.2</b>
Weighted average interest rate	7.7%	7.7%
Weighted maturity	6.3 years	6.3 years

- (a) In the fourth quarter of 2009, Windstream received the consent of lenders to an amendment and restatement of its \$2.1 billion senior secured credit facility. Among other things, the amendment extended the maturity profile of the indebtedness, required a 100 to 125 basis point increase in the interest rate on the extended portion of the debt and modified certain covenants to increase flexibility for acquisitions. The revolving credit agreement was also extended, as discussed further below.
- (b) Windstream has a \$500.0 million unsecured line of credit under a revolving credit agreement. Of the available credit, \$152.4 million expires July 17, 2011 and \$347.6 million expires July 17, 2013. Letters of credit are deducted in determining the total amount available for borrowing under the revolving credit agreement. Accordingly, the total amount outstanding under the letters of credit and the indebtedness incurred under the revolving credit agreement may not exceed \$500.0 million. At December 31, 2009, the amount available for borrowing under the revolving credit agreement was \$491.8 million.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Debt, Continued:

During 2009, the Company repaid all amounts outstanding under the revolving line of credit in its senior secured credit facility. The revolving line of credit's variable interest rates are based on LIBOR plus 125 to 225 basis points and ranged from 1.59 percent to 2.45 percent, with a weighted average rate on amounts outstanding during 2009 of 1.77 percent, as compared to variable interest rates during 2008 which ranged from 1.73 percent to 6.10 percent with a weighted average rate on amounts outstanding of 4.09 percent.

- (c) In the fourth quarter of 2009, Windstream issued \$1,100.0 million aggregate principal amount of senior unsecured notes due 2017, with an interest rate of 7.875 percent. Proceeds from the offering were used to finance the cash portion of the D&E and Lexcom acquisitions in 2009, to finance the cash portion of the NuVox, Inc. ("NuVox") acquisition completed February 8, 2010 (see Note 17) and to repay certain debt of the acquired companies. The Company plans to use the remaining proceeds from the offering to finance the pending acquisition of Iowa Telecommunication Services, Inc. ("Iowa Telecom") (see Note 16) and for general corporate purposes.
- (d) Certain of the Company's debentures and notes are callable by the Company at various premiums on early redemption.
- (e) The Company's collateralized Valor debt is equally and ratably secured with debt under the senior secured credit facility. Debt held by Windstream Holdings of the Midwest, Inc., a subsidiary of the Company, is secured solely by the assets of the subsidiary.

The terms of the credit facility and indentures include customary covenants that, among other things, require Windstream to maintain certain financial ratios and restrict its ability to incur additional indebtedness. These financial ratios include a maximum leverage ratio of 4.5 to 1.0 and a minimum interest coverage ratio of 2.75 to 1.0. In addition, the covenants include restrictions on dividend and certain other types of payments, as well as restrictions on capital expenditures, which must not exceed a specified amount for any fiscal year. As of December 31, 2009, the Company was in compliance with all of its covenants.

Maturities for debt outstanding as of December 31, 2009 for each of the twelve month periods ended December 31, 2010, 2011, 2012, 2013 and 2014 were, \$23.8 million, \$139.4 million, \$50.4 million, \$1,242.6 million and \$10.8 million, respectively.

Interest expense was as follows for the years ended December 31:

(Millions)	2009	2008	2007
Interest expense related to long-term debt (a) (b)	\$ 358.9	\$ 391.9	\$ 443.6
Impacts of interest rate swaps	52.9	26.3	4.3
Other interest expense	0.1	0.1	0.2
Less capitalized interest expense	(1.7)	(1.9)	(3.7)
Total interest expense	\$ 410.2	\$ 416.4	\$ 444.4

- (a) The Company recognized as interest expense in the accompanying consolidated income statements \$6.4 million in arrangement and other fees related to the amendment and restatement of its senior secured credit facility in the fourth quarter of 2009.
- (b) The Company recorded additional non-cash interest expense of \$5.3 million during 2007, due to a write-off of the unamortized debt issuance costs associated with \$500.0 million of the Tranche B loan that was repaid in connection with a refinancing transaction.

In order to mitigate the interest rate risk inherent in its variable rate senior secured credit facility, the Company entered into four identical pay fixed, receive variable interest rate swap agreements whose notional value totaled \$1,175.0 million at December 31, 2009 (see Note 2).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 6. Fair Value Measurements:

Windstream utilizes market data or assumptions that market participants would use in valuing its assets and liabilities, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. Valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs are used, and the fair value balances are classified based on the observability of those inputs. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority is given to unobservable inputs (level 3 measurement). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Company's non-financial assets and liabilities, including goodwill, intangible assets and asset retirement obligations, are measured at fair value on a non-recurring basis. No event occurred during the year ended December 31, 2009 requiring these non-financial assets and liabilities to be subsequently recognized at fair value.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and interest rate swaps. The carrying amount of accounts receivable and accounts payable was estimated by management to approximate fair value due to the relatively short period of time to maturity for those instruments. Cash equivalents, long-term debt and interest rate swaps are measured at fair value on a recurring basis.

The fair values of the Company's cash equivalents and interest rate swaps were determined using the following inputs at December 31:

(Millions)	Fair Value	Carrying Amount	2009		
			Quoted Price in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
			Level 1	Level 2	Level 3
Cash equivalents	\$ 1,062.9	\$ 1,062.9	\$ 1,062.9	\$ -	\$ -
Interest rate swaps (a) (see Note 2)	\$ (117.4)	\$ (117.4)	\$ -	\$ (117.4)	\$ -

(Millions)	Fair Value	Carrying Amount	2008		
			Quoted Price in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
			Level 1	Level 2	Level 3
Cash equivalents	\$ 296.6	\$ 296.6	\$ 296.6	\$ -	\$ -
Interest rate swaps (a) (see Note 2)	\$ (153.4)	\$ (153.4)	\$ -	\$ (153.4)	\$ -

(a) Included in current portion of interest rate swaps and other liabilities on the consolidated balance sheets as of December 31, 2009 and 2008, respectively.

The Company's cash equivalents are primarily highly liquid, actively traded money market funds with next day access. The fair values of the interest rate swaps were determined based on the present value of expected future cash flows using LIBOR swap rates which are observable at commonly quoted intervals for the full term of the swaps, adjusted for the Company's non-performance risk. As of December 31, 2009 and 2008, the fair value of the Company's interest rate swaps were reduced by \$5.3 million and \$17.4 million, respectively, to reflect the Company's non-performance risk. The Company's non-performance risk is assessed based on the current trading

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**6. Fair Value Measurements, Continued:**

discount of its Tranche B senior secured credit facility as the swap agreements are secured by the same collateral. In addition, the Company routinely monitors and updates its evaluation of counterparty risk, and based on such evaluation has determined that the swap agreements continue to meet the requirements of an effective cash flow hedge. The counterparty to each of the four swap agreements is a bank with a current credit rating at or above A+.

The fair value and carrying value of the Company's long-term debt, including current maturities, was as follows at December 31:

(Millions)	2009	2008
Fair value	\$ 6,340.7	\$ 4,637.0
Carrying value	\$ 6,295.2	\$ 5,382.5

The fair value of the corporate bonds was calculated based on quoted market prices of the specific issuances in an active market when available. When an active market is not available for certain bonds and bank notes, the fair market value was determined based on bid prices and broker quotes. In calculating the fair market value of the revolving line of credit and Windstream Holdings of the Midwest Inc. bonds, an appropriate market price for similar instruments in an active market was used with consideration given to credit quality, nonperformance risk and maturity of the instrument.

**7. Supplemental Cash Flow Information:**

The Company declared and accrued cash dividends of \$109.2 million, \$109.9 million and \$113.6 million during the fourth quarters of 2009, 2008 and 2007, respectively, which were subsequently paid in January of the following year.

On November 10, 2009, the Company issued 9.4 million shares of its common stock with a fair market value of approximately \$94.6 million as part of consideration paid to acquire D&E (see Note 3). Also as part of this transaction, Windstream assumed \$182.4 million in long term debt, which was subsequently repaid as required under the change of control provisions of the D&E debt agreement.

Pursuant to the split off of the publishing business (see Note 3), Windstream and Holdings executed a non-cash debt-for-debt exchange whereby Windstream received securities from Holdings valued at \$210.5 million. Windstream exchanged these Holdings debt securities for outstanding Windstream debt securities, which were then retired (see Note 5). In addition to receiving a special cash dividend and debt securities, Windstream received approximately 19.6 million outstanding shares of its common stock, which were valued at \$253.5 million, in exchange for its contribution of the publishing business to Holdings. These shares were subsequently retired.

During the first quarter of 2007, \$4.7 million of additional net plant assets, \$1.2 million of related deferred tax liabilities, and \$0.4 million of additional pension assets were identified by and received from Alltel in conjunction with the spin off during 2006. The Company recorded this non-cash transfer from Alltel as an adjustment to additional paid-in capital.

**8. Employee Benefit Plans and Postretirement Benefits:**

Windstream maintains a non-contributory qualified defined benefit pension plan, which covers most employees. Prior to establishing the pension plan pursuant to the spin off in 2006, the Company's employees participated in a substantially equivalent plan maintained by Alltel. Future benefit accruals for all eligible nonbargaining employees covered by the pension plan ceased as of December 31, 2005 (December 31, 2010 for employees who had attained age 40 with two years of service as of December 31, 2005). The Company also maintains supplemental executive retirement plans that provide unfunded, non-qualified supplemental retirement benefits to a select group of management employees. Additionally, the Company provides postretirement healthcare and life insurance benefits for eligible employees. Employees share in, and the Company funds, the costs of these plans as benefits are paid.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 8. Employee Benefit Plans and Postretirement Benefits, Continued:

The following table reflects the components of pension expense for the years ended December 31, 2009, 2008 and 2007, including provision for executive retirement agreements, and postretirement expense for the years ended December 31:

(Millions)	Pension Benefits			Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Benefits earned during the year	\$ 13.6	\$ 13.2	\$ 16.3	\$ 0.1	\$ 0.3	\$ 0.4
Interest cost on benefit obligation	57.8	56.2	53.7	8.4	12.7	15.1
Amortization of transition obligation	-	-	-	-	0.5	0.8
Amortization of net actuarial loss	71.1	6.1	24.1	-	1.1	6.1
Amortization of prior service (credit) cost	(0.1)	(0.1)	(0.2)	(3.2)	0.2	1.9
Loss from plan curtailment	-	-	-	-	-	0.1
Expected return on plan assets	(50.6)	(76.3)	(79.0)	-	-	-
Net periodic benefit expense (income)	\$ 91.8	\$ (0.9)	\$ 14.9	\$ 5.3	\$ 14.8	\$ 24.4

As a component of determining its annual pension cost, Windstream amortizes unrecognized gains or losses that exceed 17.5 percent of the greater of the projected benefit obligation or market-related value of plan assets on a straight-line basis over five years. Unrecognized actuarial gains and losses below the 17.5 percent corridor are amortized over the average remaining service life of active employees, which was approximately 10 years for its pension plan during 2009.

As a component of determining its annual postretirement cost, the Company amortizes unrecognized actuarial gains and losses exceeding the 10.0 percent corridor over the lesser of 10 years or the average remaining service life of active employees, which was approximately 10 years for its postretirement benefit plan during 2009. Windstream does not amortize unrecognized actuarial gains and losses below the 10.0 percent corridor.

Actuarial assumptions used to calculate pension and postretirement expense were as follows for the years ended December 31:

(Millions)	Pension Benefits			Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Discount rate	6.18%	6.36%	5.92%	6.11%	6.38%	5.90%
Expected return on plan assets	8.00%	8.00%	8.50%	-	-	-
Rate of compensation increase	3.44%	3.00%	3.50%	-	-	-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 8. Employee Benefit Plans and Postretirement Benefits, Continued:

A summary of plan assets, projected benefit obligation and funded status of the plans, including executive retirement agreements, were as follows at December 31:

(Millions)	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Fair value of plan assets at beginning of year	\$ 654.0	\$ 1,001.8	\$ -	\$ -
Transfers from qualified plans due to acquisition (a)	61.4	-	-	-
Actual return on plan assets	152.0	(290.4)	-	-
Employer contributions	3.3	0.7	13.0	13.4
Participant contributions	-	-	7.0	5.6
Benefits paid (b)	(86.7)	(58.1)	(20.7)	(19.9)
Medicare Part D reimbursement	-	-	0.7	0.9
Fair value of plan assets at end of year	\$ 784.0	\$ 654.0	\$ -	\$ -
Projected benefit obligation at beginning of year	\$ 945.4	\$ 904.9	\$ 157.0	\$ 218.3
Transfers from qualified plans due to acquisition (a)	73.8	-	1.8	-
Interest cost on projected benefit obligations	57.8	56.2	8.4	12.7
Service costs	13.5	13.2	0.2	0.3
Participant contributions	-	-	7.0	5.6
Plan amendments (c) (d)	-	0.2	(54.8)	(52.1)
Actuarial (gain) loss	56.9	29.0	(11.0)	(8.8)
Benefits paid	(86.7)	(58.1)	(20.7)	(19.9)
Medicare Part D reimbursement	-	-	0.7	0.9
Projected benefit obligation at end of year	\$ 1,060.7	\$ 945.4	\$ 88.6	\$ 157.0
Plan assets in excess of (less than) projected benefit obligation recognized in the consolidated balance sheet:				
Current liabilities	\$ (0.7)	\$ (0.7)	\$ (10.0)	\$ (15.4)
Noncurrent liabilities	(276.0)	(290.7)	(78.6)	(141.6)
Funded status recognized in the consolidated balance sheets	\$ (276.7)	\$ (291.4)	\$ (88.6)	\$ (157.0)
Amounts recognized in accumulated other comprehensive income (loss):				
Net actuarial loss	\$ (318.9)	\$ (434.5)	\$ (7.8)	\$ (18.8)
Prior service credits	1.1	1.3	89.6	38.1
Net amount recognized in accumulated other comprehensive income (loss)	\$ (317.8)	\$ (433.2)	\$ 81.8	\$ 19.3

- (a) In conjunction with the acquisition of D&E on November 10, 2009, the Company assumed certain obligations related to a non-contributory qualified pension plan and postretirement benefit plan formerly sponsored by D&E. As a result Windstream recognized additional net pension and postretirement benefit obligations of \$12.4 million and approximately \$1.8 million, respectively, as of November 10, 2009, which are included in other liabilities in the accompanying consolidated balance sheet. The D&E plans were merged into the Windstream pension and postretirement employee benefit plans effective December 31, 2009.
- (b) During 2009 and 2008, pension benefits paid from Company assets totaled \$0.7 million. All postretirement benefits in both years were paid from Company assets.
- (c) During 2009, Windstream amended certain of its postretirement medical and life insurance plans to replace post-65 Medicare supplement plans with a portfolio of individual post-65 products including various Medigap, Part D Prescription Drug Plan and a Medicare Advantage plan effective July 1, 2010. In addition, these amendments capped the maximum amount of medical subsidy provided by Windstream to retirees and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employee Benefit Plans and Postretirement Benefits, Continued:

eliminated dental subsidies and Medicare Part B reimbursement effective January 1, 2010. These amendments were accounted for as plan amendments and reduced Windstream's benefit obligation at December 31, 2009 by \$54.8 million, with a corresponding decrease in accumulated other comprehensive loss, net of tax. The reduction in the obligation will be amortized to postretirement benefits expense in accordance with Company policy.

- (d) The gain of \$52.1 million during 2008 is primarily attributable to an amendment of certain postretirement medical and life insurance plans to replace post-65 Medicare supplement plans with a federally funded Medicare Advantage Private Fee for Service plan effective January 1, 2009. In addition, these amendments capped the maximum amount of medical subsidy provided by Windstream to retirees and replaced death benefits provided to certain surviving spouses of retirees with basic life insurance benefits effective January 1, 2009. These amendments decreased accumulated other comprehensive loss, net of tax, resulting in a revised benefit obligation of \$157.0 million at December 31, 2008. The reduction in the obligation will be amortized to postretirement benefits expense in accordance with Company policy.

Estimated amounts to be amortized from accumulated other comprehensive income (loss) into net periodic benefit expense (income) in 2010, including executive retirement agreements, are as follows:

(Millions)	Pension Benefits	Postretirement Benefits
Net actuarial loss	\$ 45.4	\$ -
Prior service credits	\$ 0.1	\$ 8.1

The accumulated benefit obligation of the Company's pension plan was \$1,011.3 million, \$911.0 million and \$868.6 million at December 31, 2009, 2008 and 2007, respectively.

Actuarial assumptions used to calculate the projected benefit obligations were as follows for the years ended December 31:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate	5.89%	6.18%	5.79%	6.11%
Expected return on plan assets	8.00%	8.00%	-	-
Rate of compensation increase	3.44%	3.44%	-	-

In developing the expected long-term rate of return assumption, the Company considered the historical rate of return on plan assets of 9.89 percent since 1975 including periods in which it was sponsored by Alltel, as well as input from its investment advisors. Projected returns by such advisors were based on broad equity and bond indices. The expected long-term rate of return on qualified pension plan assets includes a targeted asset allocation of 52.5 percent to equities, 37.5 percent to fixed income securities, and 10.0 percent to alternative investments, with an aggregate expected long-term rate of return of approximately 8.0 percent.

The Company's pension plan assets are allocated to asset categories based on the specific strategy employed by the asset's investment manager. The asset allocation at December 31, 2009 and 2008 for the Company's pension plan by asset category were as follows:

Asset Category	Target Allocation		Percentage of Plan Assets	
	2010		2009	2008
Equity securities	45.0%	- 60.0%	53.0%	47.8%
Fixed income securities	31.0%	- 44.0%	38.2%	50.4%
Alternative investments	0.0%	- 17.0%	-	-
Money market and other short-term interest bearing securities	0.0%	- 3.0%	8.8%	1.8%
			100.0%	100.0%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 8. Employee Benefit Plans and Postretirement Benefits, Continued:

The Company's investment strategy is to maintain a diversified asset portfolio expected to provide long-term asset growth. Asset allocation decisions reflect the return objectives of the pension plan as well as tolerance for risk, liquidity needs and future funding obligations. The long-term return objective is to satisfy any current funding obligations when and as prescribed by law and to keep pace with the growth of the pension plan liabilities. Given the long time horizon for paying out benefits, and the strong financial condition of the Company, the pension plan can accept an average level of risk relative to other similar plans. The liquidity needs of the plan are manageable given that lump sum payments are not available to most participants. At December 31, 2009 money market and other short-term interest bearing securities exceeded its allocation range due to the integration of assets from the D&E pension plans, which occurred December 30, 2009.

Equity securities include stocks of both large and small capitalization domestic and international companies. Equity securities are expected to provide both diversification and long-term real asset growth. Domestic equities may include modest holdings of non-U.S. equities, purchased by domestic equity managers as long as they are traded in the U.S. and denominated in U.S. dollars and both active and passive (index) investment strategies. International equities provide a broad exposure to return opportunities and investment characteristics associated with the world equity markets outside the U.S. The plan's equity holding are diversified by investment style, market capitalization, market or region, and economic sector.

Fixed income securities include securities issued by the U.S. Government and other governmental agencies, asset-backed securities and debt securities issued by domestic and international companies. These securities are expected to provide significant diversification benefits, in terms of asset volatility and pension funding volatility, and a stable source of income.

Alternative investments include both private and public real estate and private equity investments. In addition to attractive diversification benefits, the real estate investments are expected to provide both income and capital appreciation, while the private equity investments are expected to provide return enhancements.

Investments in money market and other short-term interest bearing securities are maintained to provide liquidity for benefit payments with protection of principal being the primary objective.

The plan prohibits investment in Windstream common stock.

The fair values of the Company's pension plan assets were determined using the following inputs as of December 31:

(Millions)	Fair Value	2009		
		Quoted Price in Active Markets for Identical Assets	Significant Other Observable Inputs	(a) Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Domestic equities (b)	\$ 207.7	\$ 147.1	\$ 60.1	\$ 0.3
International equities (b)	121.3	56.6	64.7	-
Agency backed bonds (b)	34.7	-	34.7	-
Asset backed securities (b)	19.6	-	19.6	-
Corporate bonds (b)	171.9	-	171.9	-
Government and municipal bonds (b)	9.8	-	9.8	-
Mortgage backed securities (b)	34.8	-	34.8	-
Pooled funds (c)	25.0	-	25.0	-
Treasuries (b)	28.1	-	28.1	-
Treasury inflation protected securities (c)	43.1	-	43.1	-
Cash equivalents and other	88.5	1.0	87.5	-
Guaranteed annuity contract (d)	3.9	-	-	3.9
Total investments	788.4	\$ 204.7	\$ 579.3	\$ 4.4
Dividends and interest receivable	4.3			
Pending trades	(8.7)			
Total plan assets	\$ 784.0			

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**8. Employee Benefit Plans and Postretirement Benefits, Continued:**

- (a) Changes in the level 3 investments were inconsequential for the year ended December 31, 2009.
- (b) Valued at their quoted market price on the last day of the year. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotes or alternative pricing sources with reasonable levels of price transparency.
- (c) Valued by reference to the funds' underlying assets and are based on the unit values as reported by the fund manager on the last business day of the year. The underlying assets are mostly comprised of publicly traded equity securities and fixed income securities. These securities are valued at the official closing price of, or the last reported sale prices as of the close of business or, in the absence of any sales, at the latest available bid price.
- (d) Based on the value of the underlying contracts adjusted to market value, which recognizes that either long-term assets would have to be sold before contract maturity or new contributions by other contract holders would have to be exchanged for funds being transferred, precluding these contributions from being invested at the current rate of return.

There have been no significant changes in the methodology used to value investments from prior year. The valuation methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Information regarding the healthcare cost trend rate was as follows for the years ended December 31:

	2009	2008
Healthcare cost trend rate assumed for next year	9.00%	8.50%
Rate that the cost trend ultimately declines to	5.00%	5.00%
Year that the rate reaches the terminal rate	2016	2014

For the year ended December 31, 2009, a one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit cost by approximately \$0.2 million, while a one percent decrease in the rate would reduce the postretirement benefit cost by approximately \$0.2 million. As of December 31, 2009, a one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit obligation by approximately \$3.6 million, while a one percent decrease in the rate would reduce the postretirement benefit obligation by approximately \$2.9 million.

Estimated future employer contributions, benefit payments, including executive retirement agreements, and Medicare prescription drug subsidies expected to offset future postretirement benefit payments were as follows as of December 31, 2009:

(Millions)	Pension Benefits	Postretirement Benefits
Expected employer contributions in 2010	\$ 0.7	\$ 10.0
Expected benefit payments:		
2010	\$ 66.6	\$ 10.5
2011	68.6	7.8
2012	71.9	7.5
2013	73.8	7.3
2014	77.6	7.1
2015 – 2018	412.3	30.4
Expected Medicare prescription drug subsidies:		
2010		\$ (0.5)
2011		(0.3)
2012		(0.3)
2013		(0.4)
2014		(0.4)
2015 – 2018		(3.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employee Benefit Plans and Postretirement Benefits, Continued:

The expected employer contribution for pension benefits consists of \$0.7 million necessary to fund the expected benefit payments related to the unfunded supplemental retirement pension plans. Future contributions to the plan will depend on various factors including future investment performance, the finalization of funding requirements, changes in future discount rates and changes in the demographics of the population participating in the Company's pension plan. Expected benefit payments include amounts to be paid from the plans or directly from the Company's assets, and exclude amounts that will be funded by participant contributions to the plans.

The Company also sponsors an employee savings plan under section 401(k) of the Internal Revenue Code, which covers substantially all salaried employees and certain bargaining unit employees. Employees may elect to contribute to the plans a portion of their eligible pretax compensation up to certain limits as specified by the plans and by the Internal Revenue Service. Effective January 2009, the Company decreased its matching contribution to employee savings accounts from a maximum of 6 percent to a maximum of 4 percent of employee pretax contributions for employees contributing at least 5 percent. The Company's matching contribution is funded annually. During 2007 and 2008, the Company made matching contributions of 6 percent of employee pretax contributions. The Company recorded \$8.9 million, \$13.2 million and \$13.3 million in 2009, 2008 and 2007, respectively, related to the employee savings plan, which was included in cost of services and selling, general, administrative and other expenses in the consolidated statements of income.

9. Share-Based Compensation Plans:

Under the Company's share-based compensation plans, Windstream may award restricted shares and other equity securities to directors, officers and other key employees. The maximum number of shares available for issuance under the Windstream 2006 Equity Incentive Plan is 10.0 million. As of December 31, 2009, the balance available for grant was approximately 3.5 million shares. The cost of each award is determined based on the fair value of the shares on the date of grant, and is fully expensed over the vesting period.

During 2009, 2008 and 2007, the Windstream Board of Directors approved grants of restricted shares to officers, executives, and non-employee directors and certain management employees. These grants include the standard annual grants to this employee and director group as a key component of their annual incentive compensation plan. The vesting periods and grant date fair value for shares issued was as follows for the years ended December 31:

	2009	2008	2007
(Thousands)	Common Shares	Common Shares	Common Shares
Vest ratably over a three-year service period	966.3	721.2	427.9
Vest contingently over a three-year performance period	677.5	534.1	329.9
Vest three years from date of grant, service based	186.8	6.0	74.3
Vest one year from date of grant, service based (a)	55.2	43.6	38.7
Total granted	1,885.8	1,304.9	870.8
Grant date fair value (Millions)	\$ 16.5	\$ 14.3	\$ 12.8

(a) Represents shares granted to non-employee directors.

For the performance based shares granted in 2009, the operating targets for the first vesting period were approved by the Board of Directors in February 2009. For performance based shares granted in 2008, the operating targets for the first and second vesting period were approved by the Board of Directors in February 2008 and 2009, respectively. The targets for the first, second and third vesting periods for the performance based shares issued in 2007 were established by the compensation committee in February 2007, 2008 and 2009, respectively. For 2009 and measurement periods prior, each of these operating targets was met by the end of their respective measurement periods. Targets for the last measurement period for the shares granted in 2008 and for the second vesting period for the shares granted in 2009 were established in February 2010. While achievement of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. **Share-Based Compensation Plans, Continued:**

performance targets for 2010 remains uncertain, management has determined that it is probable that such targets will be met for fiscal year 2010.

Restricted share activity for the year ended December 31, 2009 was as follows:

	(Thousands) Number of Shares	Weighted Average Fair Value Per Share
Non-vested at December 31, 2008	3,352.8	\$ 12.30
Granted	1,885.8	8.73
Vested	(2,198.1)	12.30
Forfeited	(149.8)	10.61
Non-vested at December 31, 2009	2,890.7	\$ 9.90

At December 31, 2009, unrecognized compensation expense totaled \$10.6 million and is expected to be recognized over the weighted average vesting period of 1.3 years. Unrecognized compensation expense is included in additional paid-in capital in the accompanying consolidated balance sheets and statements of shareholders' equity. The total fair value of shares vested during 2009, 2008 and 2007 was \$27.5 million, \$12.3 million and \$7.8 million, respectively. Share-based compensation expense was \$17.4 million, \$18.1 million and \$15.9 million for 2009, 2008 and 2007, respectively.

10. **Merger, Integration and Restructuring Charges:**

Costs triggered by strategic transactions, including transaction, rebranding and system conversion costs are unpredictable by nature and are not included in the determination of segment income. Transaction costs primarily include charges for accounting, legal, broker fees and other miscellaneous costs associated with the completed acquisitions of D&E, Lexcom and NuVox, and the pending acquisition of Iowa Telecom expected to be completed in 2010. These costs are considered indirect or general and are expensed when incurred in accordance with authoritative guidance on business combinations. Restructuring charges, consisting primarily of severance and employee benefit costs, are triggered by the Company's continued evaluation of its operating structure and identification of opportunities for increased operational efficiency and effectiveness. These costs should not necessarily be viewed as non-recurring, and are included in the determination of segment income. They are reviewed regularly by the Company's decision makers and are included as a component of compensation targets.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Merger, Integration and Restructuring Charges, Continued:**

A summary of the merger, integration and restructuring charges recorded was as follows for the years ended December 31:

(Millions)	2009	2008 (g)	2007 (g)
<b>Wireline Segment</b>			
Merger and integration costs			
Transaction costs associated with acquisitions (a)	\$11.4	\$ 0.1	\$ 0.7
Employee related transition costs (b)	8.6	-	-
Computer system and conversion costs (c)	1.6	6.1	2.5
Signage and other rebranding costs (d)	0.7	-	1.3
Total wireline merger and integration costs	22.3	6.2	4.5
Restructuring charges (e)	9.3	8.5	4.6
Total wireline merger, integration and restructuring charges	31.6	14.7	9.1
<b>Directory Publishing Segment</b>			
Merger and integration costs			
Transaction costs associated with split off of directory publishing (f)	-	-	3.7
Total directory publishing merger and integration costs	-	-	3.7
Restructuring charges	-	-	-
Total directory publishing merger, integration and restructuring charges	-	-	3.7
Total merger, integration and restructuring charges	\$31.6	\$ 14.7	\$ 12.8

- (a) During 2009, the Company incurred acquisition related costs for accounting, legal, broker fees and other miscellaneous costs associated with the acquisitions of D&E, Lexcom and NuVox, as well as the pending acquisition of Iowa Telecom. These costs are considered indirect or general and are expensed when incurred in accordance with authoritative guidance on business combinations.
- (b) During 2009, the Company incurred \$8.2 million and \$0.4 million in employee transition costs, primarily severance related, for D&E and Lexcom, respectively.
- (c) During 2008, the Company incurred \$6.1 million in system conversion costs related to the acquisition of CTC. Of these charges, \$5.4 million represented a non-cash charge to abandon certain software acquired from CTC.
- (d) During 2007, the Company incurred approximately \$1.3 million in rebranding costs associated with the acquisition of CTC.
- (e) During 2009, the Company incurred \$9.3 million in restructuring costs from an announced workforce reduction in the third quarter of 2009 to realign certain information technology, network operations and business sales functions. Of these charges, \$8.9 million was paid in cash during the year. The remaining liability of \$0.4 million will be funded through operating cash flows and paid in 2010. In 2008, the Company incurred \$8.5 million in restructuring costs from an announced workforce reduction in the fourth quarter of 2008 to realign certain information technology, network operations and business sales functions. Of these charges, \$3.7 million was paid in cash during the year. In 2007, the Company incurred \$4.6 million in restructuring costs from a workforce reduction plan and the announced realignment of its business operations and customer service functions intended to improve overall support to its customers. Of these charges, \$4.1 million was paid in cash during the year.
- (f) During 2007, the Company incurred \$3.7 million in transaction costs to complete the split off of its directory publishing business (see Note 3).

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**10. Merger, Integration and Restructuring Charges, Continued:**

- (g) Merger and integration costs for 2007 were revised to reflect that \$1.1 million in costs incurred were associated with the wireless business, which is presented as discontinued operations in the accompanying consolidated statements of income. An additional \$0.8 million in non-cash merger and integrations costs incurred in 2008 associated with the wireless business are included in discontinued operations.

Merger, integration and restructuring charges decreased net income \$19.4 million, \$9.0 million and \$8.8 million for the years ended December 31, 2009, 2008 and 2007, respectively, giving consideration to tax benefits on deductible items.

The following is a summary of the activity related to the liabilities associated with the Company's merger, integration and restructuring charges at December 31:

(Millions)	2009	2008
Balance beginning of period	\$ 8.3	\$ 14.7
Merger, integration and restructuring charges net of non-cash charges	31.6	10.1
Cash outlays during the period	(33.3)	(16.5)
Balance end of period	\$ 6.6	\$ 8.3

As of December 31, 2009, the remaining liability of \$6.6 million for accrued merger, integration and restructuring charges consisted of \$0.4 million of Valor lease termination costs and \$6.2 million of accrued severance costs primarily associated with the integration of D&E and Lexcom. Valor lease payments will be made over the remaining term of the lease. The severance and related employee costs will be paid in 2010. Each of these payments will be funded through operating cash flows.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**11. Comprehensive Income:**

Comprehensive income was as follows for the years ended December 31:

(Millions)	2009	2008	2007
Net income	\$ 334.5	\$ 412.7	\$ 917.1
Other comprehensive income (loss):			
Defined benefit pension plans:			
Prior service cost arising during the period	-	(0.2)	(0.1)
Net actuarial gain (loss) arising during the period	44.5	(394.9)	36.0
Amounts included in net periodic benefit cost:			
Amortization of net actuarial loss	71.1	6.1	24.1
Amortization of prior service credit	(0.2)	(0.1)	(0.2)
Income tax benefit (expense)	(44.3)	148.0	(23.5)
Change in pension plan	71.1	(241.1)	36.3
Postretirement plan:			
Transition asset arising during the period	-	3.5	-
Prior service credit (cost) arising during the period	54.8	48.6	(1.0)
Net actuarial gain arising during the period	11.0	8.8	53.6
Amounts included in net periodic benefit cost:			
Amortization of transition obligation	-	0.5	0.8
Amortization of net actuarial loss	-	1.1	6.1
Amortization of prior service cost	(3.2)	0.2	1.9
Income tax expense	(25.8)	(16.1)	(24.3)
Change in postretirement plan	36.8	46.6	37.1
Change in employee benefit plans	107.9	(194.5)	73.4
Interest rate swaps:			
Unrealized holding gain (loss) on interest rate swaps	33.6	(63.8)	(40.8)
Income tax benefit	(13.2)	24.7	15.2
Unrealized holding gain (losses) on interest rate swaps	20.4	(39.1)	(25.6)
Comprehensive income	\$ 462.8	\$ 179.1	\$ 964.9

Accumulated other comprehensive loss balances, net of tax, were as follows for the years ended December 31:

(Millions)	2009	2008	2007
Pension and postretirement plans	\$ (140.4)	\$ (248.3)	\$ (53.8)
Unrealized holding losses on interest rate swaps	(67.9)	(88.3)	(49.2)
Accumulated other comprehensive loss	\$ (208.3)	\$ (336.6)	\$ (103.0)

**12. Income Taxes:**

Income tax expense was as follows for the years ended December 31:

(Millions)	2009	2008	2007
Current:			
Federal	\$ 120.2	\$ 136.8	\$ 198.1
State and other	10.8	30.4	23.7
	131.0	167.2	221.8
Deferred:			
Federal	57.4	98.9	46.7
State and other	22.7	17.1	(17.0)
	80.1	116.0	29.7
Income tax expense	\$ 211.1	\$ 283.2	\$ 251.5

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 12. Income Taxes, Continued:

Deferred income tax expense for all three years primarily resulted from temporary differences between depreciation and amortization expense for income tax purposes and depreciation and amortization expense recorded in the consolidated financial statements. Goodwill is not amortized for financial statement purposes in accordance with authoritative guidance on goodwill and other intangible assets.

Differences between the federal income tax statutory rates and effective income tax rates, which include both federal and state income taxes, were as follows for the years ended December 31:

(Millions)	2009	2008	2007
Statutory federal income tax rates	35.0%	35.0%	35.0%
Increase (decrease)			
State income taxes, net of federal benefit	2.4	2.3	1.5
Adjustment of deferred taxes for legal entity restructuring	-	2.0	(1.1)
Adjust deferred taxes for state net operating loss carryforward	1.6	-	-
Nontaxable gain on sale of publishing business	-	-	(13.5)
Nondeductible transaction costs	0.4	-	-
Other items, net	(0.7)	0.1	(0.3)
Effective income tax rates	38.7%	39.4%	21.6%

The significant components of the net deferred income tax liability (asset) were as follows at December 31:

(Millions)	2009	2008 (a)
Property, plant and equipment	\$ 890.4	\$ 773.3
Goodwill and other intangible assets	747.2	652.0
Operating loss carryforward	(95.8)	(114.0)
Postretirement and other employee benefits	(144.6)	(154.9)
Unrealized holding loss and interest swaps	(42.0)	(54.8)
Deferred compensation	(12.9)	(11.6)
Deferred debt costs	(9.2)	(9.2)
Other, net	(7.2)	(43.6)
	1,325.9	1,037.2
Valuation allowance	24.4	2.6
Deferred income taxes, net	\$ 1,350.3	\$ 1,039.8
Deferred tax assets	\$ 381.3	\$ 436.9
Deferred tax liabilities	1,731.6	1,476.7
Deferred income taxes, net	\$ 1,350.3	\$ 1,039.8

- (a) On November 21, 2008, Windstream completed the sale of its wireless business. In conjunction with the sale, the Company classified corresponding assets and liabilities as held for sale, including deferred taxes (see Note 2).

At December 31, 2009 and 2008, the Company had federal net operating loss carryforwards of approximately \$137.7 million and \$214.3 million, respectively, which expire in varying amounts through 2021. These loss carryforwards were acquired in conjunction with the Company's merger with Valor. The decrease in 2009 represents the amount utilized for the year, and an additional net operating loss claimed on the amended 2007 federal consolidated return filed during the current period. At December 31, 2009 and 2008, the Company had state net operating loss carryforwards of approximately \$714.5 million and \$693.7 million, respectively, which expire annually in varying amounts through 2027. These loss carryforwards were initially acquired in conjunction with the Company's mergers with Valor and CTC. The 2009 increase is primarily associated with loss carryforwards acquired in conjunction with the Company's mergers with D&E and Lexcom offset by amounts utilized for the year and adjustments to the loss carryforward in Kentucky. The Company is limited in its ability to use the state loss carryforwards for CTC, D&E and Lexcom due to expected future taxable income. As a result, a portion of these loss carryforwards will not be utilized before they expire. The Company establishes valuation

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 12. Income Taxes, Continued:

allowances when necessary to reduce deferred tax assets to amounts expected to be realized. As of December 31, 2009 and 2008, the Company recorded a valuation allowance of \$24.4 million and \$2.6 million, respectively, related to state loss carryforwards, which are expected to expire and not be utilized. The 2009 increase in the valuation allowance is primarily associated with the acquisition of certain state net operating losses from D&E and Lexcom and was recorded with an offset through goodwill. At December 31, 2009 and 2008, the Company had state tax credit carryforwards of approximately \$15.1 million and \$15.4 million, respectively.

#### 13. Commitments and Contingencies:

**Lease Commitments** – Minimum rental commitments for all non-cancelable operating leases, consisting principally of leases for network facilities, real estate, office space and office equipment were as follows as of December 31, 2009:

Year	(Millions)
2010	\$ 31.2
2011	22.2
2012	11.2
2013	4.0
2014	1.5
Thereafter	1.4
Total	\$ 71.5

Rental expense totaled \$29.6 million, \$25.3 million and \$19.0 million in 2009, 2008 and 2007, respectively.

**Litigation** – The Company is party to various legal proceedings. Although the ultimate resolution of these various proceedings cannot be determined at this time, management of the Company does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on the future consolidated results of income, cash flows or financial condition of the Company.

In addition, management of the Company is currently not aware of any environmental matters that, individually or in the aggregate, would have a material adverse effect on the consolidated financial condition or results of operations of the Company.

#### 14. Business Segments:

Windstream is organized based on the products and services that it offers. Under this organizational structure, its operations consist of its wireline and directory publishing segments. Previously, the Company reported a product distribution segment, but in the first quarter of 2009, the Company reorganized its operations to integrate the sales and administrative functions of the product distribution segment into its wireline operations. As a result of this change, the chief operating decision maker no longer reviews the financial statements of the product distribution operations on a stand alone basis, and the Company operates its wireline and product distribution operations as a single reporting segment ("the wireline segment"). As required by the authoritative guidance for segment presentation, segment results for these operations have been retrospectively adjusted to reflect this change for all periods presented.

On November 30, 2007, Windstream completed the split off of its directory publishing business (see Note 3). Prior to the split off, the Company's publishing subsidiary coordinated advertising, sales, printing and distribution for 356 telephone directory contracts in 34 states.

The Company accounts for affiliated sales at current market prices, tariff rates, or negotiated prices. The evaluation of segment performance is based on segment income, which is computed as revenues and sales less operating expenses, excluding the effects of strategic transaction costs as discussed in Note 10. In addition, non-operating items such as other income, net, gain on sale of assets, loss on extinguishment of debt, intercompany interest income, interest expense and income taxes have not been allocated to the segments.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Business Segments, Continued:**

The following is a summary of segment performance:

(Millions)	For the year ended December 31, 2009		
	Wireline	Directory Publishing	Totals Segments
Revenues and sales from unaffiliated customers	\$ 2,996.6	\$ -	\$ 2,996.6
Affiliated revenues and sales	-	-	-
Total revenues and sales	2,996.6	-	2,996.6
Operating expenses	1,470.3	-	1,470.3
Depreciation and amortization	537.8	-	537.8
Restructuring charges	9.3	-	9.3
Total costs and expenses	2,017.4	-	2,017.4
Segment income	\$ 979.2	\$ -	\$ 979.2
Assets	\$ 9,145.4	\$ -	\$ 9,145.4
Capital expenditures	\$ 298.1	\$ -	\$ 298.1

(Millions)	For the year ended December 31, 2008		
	Wireline	Directory Publishing	Totals Segments
Revenues and sales from unaffiliated customers	\$ 3,171.5	\$ -	\$ 3,171.5
Affiliated revenues and sales	-	-	-
Total revenues and sales	3,171.5	-	3,171.5
Operating expenses	1,531.7	-	1,531.7
Depreciation and amortization	492.7	-	492.7
Restructuring charges	8.5	-	8.5
Total costs and expenses	2,032.9	-	2,032.9
Segment income	\$ 1,138.6	\$ -	\$ 1,138.6
Assets	\$ 8,009.3	\$ -	\$ 8,009.3
Capital expenditures	\$ 317.5	\$ -	\$ 317.5

(Millions)	For the year ended December 31, 2007		
	Wireline	Directory Publishing	Totals Segments
Revenues and sales from unaffiliated customers	\$ 3,134.6	\$ 111.3	\$ 3,245.9
Affiliated revenues and sales	45.0	11.7	56.7
Total revenues and sales	3,179.6	123.0	3,302.6
Operating expenses	1,516.2	117.7	1,633.9
Depreciation and amortization	506.0	-	506.0
Restructuring charges	4.6	-	4.6
Total costs and expenses	2,026.8	117.7	2,144.5
Segment income	\$ 1,152.8	\$ 5.3	\$ 1,158.1
Assets	\$ 8,155.5	\$ 85.7	\$ 8,241.2
Capital expenditures	\$ 365.5	\$ 0.2	\$ 365.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Business Segments, Continued:

A reconciliation of the total business segments to the applicable amounts in the Company's consolidated financial statements was as follows for the years ended December 31:

(Millions)	2009	2008	2007
Revenues and sales:			
Total business segments	\$ 2,996.6	\$ 3,171.5	\$ 3,302.6
Less affiliated eliminations	-	-	(56.7)
Total revenues and sales	2,996.6	3,171.5	3,245.9
Income before income taxes:			
Total business segment income	979.2	1,138.6	1,158.1
Merger and integration costs	(22.3)	(6.2)	(8.2)
Other income, net	(1.1)	2.1	11.1
Gain on sale of publishing business	-	-	451.3
Interest expense	(410.2)	(416.4)	(444.4)
Total income from continuing operations before income taxes	\$ 545.6	\$ 718.1	\$ 1,167.9

Supplemental information pertaining to the directory publishing segment was as follows as of and for the years ended December 31:

(Millions)	2009	2008	2007
Revenues and sales from external customers:			
Directory publishing	\$ -	\$ -	\$ 111.3
Total	-	-	111.3
Affiliated revenues and sales:			
Directory publishing	-	-	11.7
Total	-	-	11.7
Total revenues and sales:			
Directory publishing	-	-	123.0
Total	\$ -	\$ -	\$ 123.0

15. Supplemental Guarantor Information:

In connection with the issuance of the 2013 Notes, the 2016 Notes, the 2017 Notes and the 2019 Notes ("the guaranteed notes"), certain of the Company's wholly-owned subsidiaries (the "Guarantors"), including all former subsidiaries of Valor, provide guarantees of those debentures. These guarantees are full and unconditional as well as joint and several. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to the Company. The remaining subsidiaries (the "Non-Guarantors") of Windstream are not guarantors of the guaranteed notes. In conjunction with the merger with Valor, Windstream assumed \$400.0 million principal value of unsecured notes (the "Valor Notes") guaranteed by all of Valor's operating subsidiaries. The terms of those notes were amended to reflect the non-Valor Guarantors as guarantors of the Valor Notes. On March 1, 2007, the Company de-registered the Valor Notes. Following the acquisitions of D&E, Lexcom and CTC, the guaranteed notes were amended to include certain subsidiaries of D&E, Lexcom and CTC as guarantors.

The following information presents condensed consolidated and combined statements of income for the years ended December 31, 2009, 2008 and 2007, condensed consolidated balance sheets as of December 31, 2009 and 2008, and condensed consolidated and combined statements of cash flows for the years ended December 31, 2009, 2008 and 2007 of the parent company, the Guarantors and the Non-Guarantors. Investments consist of investments in net assets of subsidiaries held by the parent company and other subsidiaries, and have been presented using the equity method of accounting.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 15. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Income For the Year Ended December 31, 2009					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>					
Service revenues	\$ -	\$ 746.2	\$ 2,131.1	\$ (4.5)	\$ 2,872.8
Product sales	-	74.4	49.4	-	123.8
Total revenues and sales	-	820.6	2,180.5	(4.5)	2,996.6
<b>Costs and expenses:</b>					
Cost of services	-	237.9	772.3	(3.4)	1,006.8
Cost of products sold	-	66.6	40.9	-	107.5
Selling, general, administrative and other	-	84.7	272.4	(1.1)	356.0
Depreciation and amortization	-	191.1	346.7	-	537.8
Merger, integration and restructuring	-	1.4	30.2	-	31.6
Total costs and expenses	-	581.7	1,462.5	(4.5)	2,039.7
<b>Operating income</b>	-	238.9	718.0	-	956.9
Earnings (losses) from consolidated subsidiaries	574.9	55.7	1.8	(632.4)	-
Other income (expense), net	1.0	111.1	(113.2)	-	(1.1)
Intercompany interest income (expense)	36.4	(15.2)	(21.2)	-	-
Interest expense	(401.8)	(6.2)	(2.2)	-	(410.2)
Income before income taxes	210.5	384.3	583.2	(632.4)	545.6
Income taxes (benefit)	(124.0)	104.9	230.2	-	211.1
<b>Net income</b>	\$ 334.5	\$ 279.4	\$ 353.0	\$ (632.4)	\$ 334.5

Condensed Consolidated Statement of Income For the Year Ended December 31, 2008					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>					
Service revenues	\$ -	\$ 759.3	\$ 2,234.6	\$ (5.0)	\$ 2,988.9
Product sales	-	124.1	58.5	-	182.6
Total revenues and sales	-	883.4	2,293.1	(5.0)	3,171.5
<b>Costs and expenses:</b>					
Cost of services	-	231.8	777.2	(3.6)	1,005.4
Cost of products sold	-	115.6	54.2	-	169.8
Selling, general, administrative and other	-	97.3	260.6	(1.4)	356.5
Depreciation and amortization	-	169.9	322.8	-	492.7
Merger, integration and restructuring	-	1.9	12.8	-	14.7
Total costs and expenses	-	616.5	1,427.6	(5.0)	2,039.1
<b>Operating income</b>	-	266.9	865.5	-	1,132.4
Earnings (losses) from consolidated subsidiaries	701.3	69.4	(0.1)	(770.6)	-
Other income (expense), net	(4.1)	8.0	(1.8)	-	2.1
Intercompany interest income (expense)	(42.4)	(13.7)	56.1	-	-
Interest expense	(407.4)	(6.4)	(2.6)	-	(416.4)
Income from continuing operations before income taxes	247.4	324.2	917.1	(770.6)	718.1
Income taxes (benefit)	(165.3)	102.0	346.5	-	283.2
Income from continuing operations	412.7	222.2	570.6	(770.6)	434.9
Discontinued operations	-	-	(22.2)	-	(22.2)
<b>Net income</b>	\$ 412.7	\$ 222.2	\$ 548.4	\$ (770.6)	\$ 412.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Income For the Year Ended December 31, 2007					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>					
Service revenues	\$ -	\$ 764.0	\$ 2,237.8	\$ (59.2)	\$ 2,942.6
Product sales	-	249.7	53.6	-	303.3
Total revenues and sales	-	1,013.7	2,291.4	(59.2)	3,245.9
<b>Costs and expenses:</b>					
Cost of services	-	226.8	783.6	(1.8)	1,008.6
Cost of products sold	-	205.7	38.5	(56.8)	187.4
Selling, general, administrative and other	-	106.9	274.9	(0.6)	381.2
Depreciation and amortization	-	169.6	336.4	-	506.0
Merger, integration and restructuring	-	5.0	7.8	-	12.8
Total costs and expenses	-	714.0	1,441.2	(59.2)	2,096.0
<b>Operating income</b>	-	299.7	850.2	-	1,149.9
Earnings from consolidated subsidiaries	1,218.4	110.8	1.0	(1,330.2)	-
Other income (expense), net	9.9	(0.2)	1.4	-	11.1
Gain on sale of publishing business	-	86.3	365.0	-	451.3
Intercompany interest income (expense)	(56.1)	(34.5)	90.6	-	-
Interest expense	(436.5)	(6.0)	(1.9)	-	(444.4)
Income from continuing operations before income taxes	735.7	456.1	1,306.3	(1,330.2)	1,167.9
Income taxes (benefit)	(181.4)	87.4	345.5	-	251.5
Income from continuing operations	917.1	368.7	960.8	(1,330.2)	916.4
Discontinued operations	-	-	0.7	-	0.7
<b>Net income</b>	<b>\$ 917.1</b>	<b>\$ 368.7</b>	<b>\$ 961.5</b>	<b>\$ (1,330.2)</b>	<b>\$ 917.1</b>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Supplemental Guarantor Information, Continued:

Condensed Consolidated Balance Sheet As of December 31, 2009					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 1,046.5	\$ 1.2	\$ 15.2	\$ -	\$ 1,062.9
Accounts receivable (less allowance for doubtful accounts of \$18.5)	0.2	97.3	199.0	(4.8)	291.7
Inventories	-	17.1	9.0	-	26.1
Deferred income taxes	15.6	0.7	5.4	-	21.7
Prepaid expenses and other	19.8	4.8	29.0	-	53.6
Total current assets	1,082.1	121.1	257.6	(4.8)	1,456.0
Investments in consolidated subsidiaries	8,385.3	1,012.2	321.6	(9,719.1)	-
Goodwill and other intangibles, net	0.1	2,109.0	1,488.6	-	3,597.7
Net property, plant and equipment	7.6	1,073.5	2,911.5	-	3,992.6
Other assets	60.4	350.5	23.9	(335.7)	99.1
<b>Total Assets</b>	<b>\$ 9,535.5</b>	<b>\$ 4,666.3</b>	<b>\$ 5,003.2</b>	<b>\$ (10,059.6)</b>	<b>\$ 9,145.4</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities:</b>					
Current maturities of long-term debt	\$ 13.7	\$ -	\$ 14.9	\$ (4.8)	\$ 23.8
Current portion of interest rate swaps	45.8	-	-	-	45.8
Accounts payable	9.8	26.5	122.2	-	158.5
Affiliates payable, net	2,735.4	124.6	(2,860.0)	-	-
Advance payments and customer deposits	-	4.5	90.7	-	95.2
Accrued dividends	109.2	-	-	-	109.2
Accrued taxes	(14.3)	26.0	48.9	-	60.6
Accrued interest	153.7	1.7	0.6	-	156.0
Other current liabilities	11.3	6.0	42.9	-	60.2
Total current liabilities	3,064.6	189.3	(2,539.8)	(4.8)	709.3
Long-term debt	6,140.7	99.6	366.8	(335.7)	6,271.4
Deferred income taxes	(45.9)	635.0	782.9	-	1,372.0
Other liabilities	115.4	15.2	401.4	-	532.0
<b>Total liabilities</b>	<b>9,274.8</b>	<b>939.1</b>	<b>(988.7)</b>	<b>(340.5)</b>	<b>8,884.7</b>
<b>Commitments and Contingencies (See Note 13)</b>					
<b>Shareholders' Equity:</b>					
Common stock	-	41.4	82.4	(123.8)	-
Additional paid-in capital	83.6	3,296.8	3,150.4	(6,447.2)	83.6
Accumulated other comprehensive loss	(208.3)	(2.8)	(140.3)	143.1	(208.3)
Retained earnings	385.4	391.8	2,899.4	(3,291.2)	385.4
Total shareholders' equity	260.7	3,727.2	5,991.9	(9,719.1)	260.7
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 9,535.5</b>	<b>\$ 4,666.3</b>	<b>\$ 5,003.2</b>	<b>\$ (10,059.6)</b>	<b>\$ 9,145.4</b>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Supplemental Guarantor Information, Continued:

Condensed Consolidated Balance Sheet As of December 31, 2008					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 282.8	\$ 1.0	\$ 12.8	\$ -	\$ 296.6
Accounts receivable (less allowance for doubtful accounts of \$16.3)	0.3	105.5	210.8	-	316.6
Inventories	-	21.3	9.5	-	30.8
Deferred income taxes	22.4	-	8.4	-	30.8
Prepaid expenses and other	2.3	4.2	27.4	-	33.9
Total current assets	307.8	132.0	268.9	-	708.7
Investments in consolidated subsidiaries	7,637.4	460.5	(1.4)	(8,096.5)	-
Goodwill and other intangibles, net	0.1	1,826.2	1,504.1	-	3,330.4
Net property, plant and equipment	7.6	1,103.6	2,785.9	-	3,897.1
Other assets	31.4	11.4	30.3	-	73.1
<b>Total Assets</b>	<b>\$ 7,984.3</b>	<b>\$ 3,533.7</b>	<b>\$ 4,587.8</b>	<b>\$ (8,096.5)</b>	<b>\$ 8,009.3</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities:</b>					
Current maturities of long-term debt	\$ 14.0	\$ 0.3	\$ 10.0	\$ -	\$ 24.3
Current portion of interest rate swaps	40.5	-	-	-	40.5
Accounts payable	10.2	83.0	40.8	-	134.0
Affiliates payable, net	2,155.1	290.6	(2,445.7)	-	-
Advance payments and customer deposits	-	8.7	85.3	-	94.0
Accrued dividends	109.9	-	-	-	109.9
Accrued taxes	(30.7)	23.3	55.4	-	48.0
Accrued interest	135.8	1.7	0.9	-	138.4
Other current liabilities	15.7	13.2	47.3	-	76.2
Total current liabilities	2,450.5	420.8	(2,206.0)	-	665.3
Long-term debt	5,218.8	99.6	39.8	-	5,358.2
Deferred income taxes	(92.7)	519.5	643.8	-	1,070.6
Other liabilities	155.4	15.5	492.0	-	662.9
Total liabilities	7,732.0	1,055.4	(1,030.4)	-	7,757.0
<b>Commitments and Contingencies (See Note 13)</b>					
<b>Shareholders' Equity:</b>					
Common stock	-	-	45.8	(45.8)	-
Additional paid-in capital	101.5	1,764.5	2,619.0	(4,383.5)	101.5
Accumulated other comprehensive loss	(336.6)	-	(248.2)	248.2	(336.6)
Retained earnings	487.4	713.8	3,201.6	(3,915.4)	487.4
Total shareholders' equity	252.3	2,478.3	5,618.2	(8,096.5)	252.3
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,984.3</b>	<b>\$ 3,533.7</b>	<b>\$ 4,587.8</b>	<b>\$ (8,096.5)</b>	<b>\$ 8,009.3</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. Supplemental Guarantor Information, Continued:**

Condensed Consolidated Statement of Cash Flows For the Year Ended December 31, 2009					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>					
Net income	\$ 334.5	\$ 279.4	\$ 353.0	\$ (632.4)	\$ 334.5
Adjustments to reconcile net income to net cash provided from operations:					
Depreciation and amortization	-	191.1	346.7	-	537.8
Provision for doubtful accounts	-	10.4	33.6	-	44.0
Equity in (earnings) losses from subsidiaries	(574.9)	(55.7)	(1.8)	632.4	-
Stock-based compensation expense	-	2.0	15.4	-	17.4
Pension and postretirement benefits expense	-	27.5	69.6	-	97.1
Deferred taxes	40.4	36.9	19.5	-	96.8
Other, net	4.5	(0.2)	1.7	-	6.0
Changes in operating assets and liabilities, net	598.8	146.0	(757.6)	-	(12.8)
Net cash provided from operations	403.3	637.4	80.1	-	1,120.8
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	-	(71.1)	(227.0)	-	(298.1)
Acquisition of D&E, net of cash acquired	(56.6)	-	-	-	(56.6)
Acquisition of Lexcom, net of cash acquired	(138.7)	-	-	-	(138.7)
Other, net	-	0.6	-	-	0.6
Net cash from (used in) investing activities	(195.3)	(70.5)	(227.0)	-	(492.8)
<b>Cash Flows from Financing Activities:</b>					
Dividends paid on common shares	(437.4)	-	-	-	(437.4)
Dividends received from (paid to) subsidiaries	224.7	(43.5)	(181.2)	-	-
Stock repurchase	(121.3)	-	-	-	(121.3)
Repayment of debt	(163.9)	(182.7)	(10.0)	-	(356.6)
Proceeds of debt issuance, net of discount	1,083.6	-	-	-	1,083.6
Debt issuance costs	(33.8)	-	-	-	(33.8)
Other, net	3.8	(340.5)	340.5	-	3.8
Net cash used in financing activities	555.7	(566.7)	149.3	-	138.3
<b>Increase (decrease) in cash and cash equivalents</b>	<b>763.7</b>	<b>0.2</b>	<b>2.4</b>	<b>-</b>	<b>766.3</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of period	282.8	1.0	12.8	-	296.6
End of period	\$ 1,046.5	\$ 1.2	\$ 15.2	\$ -	\$ 1,062.9

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Supplemental Guarantor Information, Continued:

(Millions)	Condensed Consolidated Statement of Cash Flows For the Year Ended December 31, 2008				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>					
Net income	\$ 412.7	\$ 222.2	\$ 548.4	\$ (770.6)	\$ 412.7
Adjustments to reconcile net income to net cash provided from operations:					
Loss on sale of wireless business	-	-	21.3	-	21.3
Depreciation and amortization	-	169.5	325.0	-	494.5
Provision for doubtful accounts	-	6.9	31.8	-	38.7
Equity in (earnings) losses from subsidiaries	(701.3)	(69.4)	0.1	770.6	-
Stock-based compensation expense	-	2.5	15.6	-	18.1
Pension and postretirement benefits expense	-	1.4	12.5	-	13.9
Deferred taxes	(24.0)	47.9	86.1	-	110.0
Other, net	12.3	(1.2)	7.0	-	18.1
Changes in operating assets and liabilities, net	770.2	(266.1)	(551.0)	-	(46.9)
Net cash provided from operations	469.9	113.7	496.8	-	1,080.4
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	-	(79.3)	(238.2)	-	(317.5)
Disposition of wireless business	56.7	-	-	-	56.7
Disposition of acquired assets held for sale	-	17.8	-	-	17.8
Other, net	-	3.4	6.5	-	9.9
Net cash provided from (used in) investing activities	56.7	(58.1)	(231.7)	-	(233.1)
<b>Cash Flows from Financing Activities:</b>					
Dividends paid on common shares	(445.2)	-	-	-	(445.2)
Dividends received from (paid to) subsidiaries	320.3	(53.7)	(266.6)	-	-
Stock repurchase	(200.3)	-	-	-	(200.3)
Repayment of debt	(344.0)	(0.3)	(10.0)	-	(354.3)
Proceeds of debt issuance, net of discount	380.0	-	-	-	380.0
Other, net	(1.8)	(1.8)	0.7	-	(2.9)
Net cash used in financing activities	(291.0)	(55.8)	(275.9)	-	(622.7)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>235.6</b>	<b>(0.2)</b>	<b>(10.8)</b>	<b>-</b>	<b>224.6</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of period	47.2	1.2	23.6	-	72.0
End of period	\$ 282.8	\$ 1.0	\$ 12.8	\$ -	\$ 296.6

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. Supplemental Guarantor Information, Continued:**

Condensed Consolidated Statement of Cash Flows For the Year Ended December 31, 2007					
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>					
Net income	\$ 917.1	\$ 368.7	\$ 961.5	\$ (1,330.2)	\$ 917.1
Adjustments to reconcile net income to net cash provided from operations:					
Gain on sale of publishing business	-	(86.3)	(365.0)	-	(451.3)
Depreciation and amortization	-	169.6	337.9	-	507.5
Provision for doubtful accounts	-	6.5	22.0	-	28.5
Equity in earnings from subsidiaries	(1,218.4)	(110.8)	(1.0)	1,330.2	-
Stock-based compensation expense	-	1.4	14.5	-	15.9
Pension and postretirement benefits expense	-	7.1	32.2	-	39.3
Deferred taxes	(20.7)	30.9	2.8	-	13.0
Other, net	14.7	0.1	0.8	-	15.6
Changes in operating assets and liabilities, net	662.0	(255.6)	(458.3)	-	(51.9)
Net cash provided from operations	354.7	131.6	547.4	-	1,033.7
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	-	(84.0)	(281.7)	-	(365.7)
Acquisition of CT Communications, net of cash acquired	(546.8)	-	-	-	(546.8)
Disposition of directory publishing business	40.0	-	-	-	40.0
Other, net	(0.1)	8.5	(3.0)	-	5.4
Net cash used in investing activities	(506.9)	(75.5)	(284.7)	-	(867.1)
<b>Cash Flows from Financing Activities:</b>					
Dividends paid on common shares	(476.8)	-	-	-	(476.8)
Dividends received from (paid to) subsidiaries	307.4	(55.3)	(252.1)	-	-
Stock repurchase	(40.1)	-	-	-	(40.1)
Repayment of debt	(801.0)	-	(10.0)	-	(811.0)
Proceeds of debt issuance, net of discount	849.1	(0.2)	-	-	848.9
Other, net	(1.6)	-	(0.8)	-	(2.4)
Net cash used in financing activities	(163.0)	(55.5)	(262.9)	-	(481.4)
Increase (decrease) in cash and cash equivalents	(315.2)	0.6	(0.2)	-	(314.8)
<b>Cash and Cash Equivalents:</b>					
Beginning of period	362.4	0.6	23.8	-	386.8
End of period	\$ 47.2	\$ 1.2	\$ 23.6	\$ -	\$ 72.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**16. Pending Transaction:**

On November 23, 2009, we entered into an agreement and plan of merger, pursuant to which we will acquire all of the issued and outstanding shares of common stock of Iowa Telecom. Under the terms of the merger agreement, Iowa Telecom shareholders will receive 0.804 shares of common stock of Windstream and \$7.90 in cash per each share of Iowa Telecom common stock. We expect to issue approximately 26.5 million shares of Windstream common stock and pay approximately \$261.0 million in cash as part of the transaction. We also will repay estimated net debt of approximately \$598.0 million. This acquisition is expected to close in mid-2010 and is subject to certain conditions, including receipt of necessary approvals from federal and state regulators and Iowa Telecom shareholders. As of September 30, 2009, Iowa Telecom provided services to approximately 256,000 access lines, 95,000 high-speed Internet customers and 26,000 digital TV customers in Iowa and Minnesota.

**17. Subsequent Event:**

On February 8, 2010, we completed our previously announced acquisition of NuVox, a competitive local exchange carrier based in Greenville, South Carolina. Consistent with the Company's focus on growing revenues from business customers, the completion of the NuVox acquisition added approximately 90,000 business customer locations in 16 contiguous Southwestern and Midwest states and provides opportunities for significant operating efficiencies with contiguous Windstream markets. NuVox's services include voice over internet protocol, local and long-distance voice, broadband internet access, email, voicemail, web hosting, secure electronic data storage and backup, internet security and virtual private networks. Many of these services are delivered over a secure, privately-managed IP network, using a multiprotocol label switch backbone and distributed IP voice switching architecture.

In accordance with the NuVox merger agreement, Windstream acquired all of the issued and outstanding shares of common stock of NuVox for \$199.0 million in cash, net of cash acquired, and issued approximately 18.7 million shares of Windstream common stock valued at \$187.0 million on the date of issuance. Windstream also repaid outstanding indebtedness of NuVox approximating \$281.0 million. The Company is in the process of evaluating the net assets acquired and expects to finalize the purchase price allocation during 2010. Pro forma financial results related to the acquisition of NuVox have not been included because the Company does not consider the NuVox acquisition to be significant.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 18. Quarterly Financial Information – (Unaudited):

(Millions, except per share amounts)	For the year ended December 31, 2009				
	Total	4th	3rd	2nd	1st
Revenues and sales	\$2,996.6	\$754.4	\$734.3	\$752.9	\$755.0
Operating income	\$ 956.9	\$234.5	\$225.4	\$244.4	\$252.6
Income from continuing operations	\$ 334.5	\$ 75.5	\$ 80.0	\$ 90.8	\$ 88.2
Income (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ -	\$ -
Net income	\$ 334.5	\$ 75.5	\$ 80.0	\$ 90.8	\$ 88.2
Basic and diluted earnings per share:					
From continuing operations	\$ .76	\$ .17	\$ .18	\$ .21	\$ .20
From discontinued operations	-	-	-	-	-
Net income	\$ .76	\$ .17	\$ .18	\$ .21	\$ .20

(Millions, except per share amounts)	For the year ended December 31, 2008				
	Total	4th	3rd	2nd	1st
Revenues and sales	\$3,171.5	\$777.5	\$794.1	\$799.9	\$800.0
Operating income	\$1,132.4	\$276.6	\$270.6	\$288.9	\$296.3
Income from continuing operations	\$ 434.9	\$ 90.9	\$104.3	\$117.9	\$121.8
Income (loss) from discontinued operations	\$ (22.2)	\$ (9.8)	\$ 1.6	\$ (15.9)	\$ 1.9
Net income	\$ 412.7	\$ 81.1	\$105.9	\$102.0	\$123.7
Basic and diluted earnings per share:					
From continuing operations	\$ .98	\$ .21	\$ .24	\$ .27	\$ .27
From discontinued operations	(.05)	(.02)	-	(.04)	-
Net income	\$ .93	\$ .19	\$ .24	\$ .23	\$ .27

#### Notes to Quarterly Financial Information:

Significant events affecting Windstream's historical operating trends in the quarterly periods were as follows:

- Windstream completed the acquisitions of D&E and Lexcom on November 10, 2009 and December 1, 2009, respectively. The operating results from these businesses are included in the Company's results for periods subsequent to their acquisitions (see Note 3).
- Windstream completed the sale of its out of territory product distribution operations, on August 21, 2009. These operations were not central to the Company's strategic goals in its core communications business (See Note 3).
- Effective January 1, 2009, the Company adopted revised authoritative guidance for calculating earnings per share, and commensurate therewith, has retrospectively adjusted prior period earnings per share data, the impact of which was immaterial (see Note 2).
- On August 7, 2008, Windstream reached a definitive purchase agreement to sell its wireless business to AT&T Mobility II, LLC for approximately \$56.7 million (see Note 3). This transaction allowed management to divest of a non-core asset to focus on other strategic initiatives. The operating results of the wireless business have been separately presented as discontinued operations.

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## Section 2: EX-4.5 (FOURTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.5

### FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 22, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), Windstream Intellectual Property Services, Inc., (the "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of July 17, 2006, providing for the issuance of the Company's 8.125% Senior Notes due 2013 (the "8.125% Notes") and 8.625% Senior Notes due 2016 (the "8.625% Notes") and collectively with the 8.125% Notes, the "Notes");

WHEREAS, the Indenture provides that under certain circumstances a Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, the Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue

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principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. The Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) The Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) The Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) The Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) The Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) The Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, the Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of the Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. The Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. The Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. The Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of the Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUER THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

WINDSTREAM INTELLECTUAL PROPERTY  
SERVICES, INC.

By: /s/ John Fletcher  
Name: John Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John Fletcher  
Title: Executive Vice President, General Counsel  
and Secretary

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

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### Section 3: EX-4.6 (FIFTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.6

#### FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of November 20, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), certain subsidiaries of the Company, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

#### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of July 17, 2006, providing for the issuance of the Company's 8.125% Senior Notes due 2013 (the "8.125% Notes") and 8.625% Senior Notes due 2016 (the "8.625% Notes") and collectively with the 8.125% Notes, the "Notes";

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the

Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

D&E COMMUNICATIONS, INC.  
D&E MANAGEMENT SERVICES, INC.  
D&E NETWORKS, INC.  
D&E INVESTMENTS, INC.  
CONESTOGA ENTERPRISES, INC.  
CONESTOGA MANAGEMENT SERVICES, INC.  
BUFFALO VALLEY MANAGEMENT SERVICES, INC.  
PCS LICENSES, INC.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

Exhibit I

D&E Communications, Inc., a Delaware corporation  
D&E Management Services, Inc., a Nevada corporation  
D&E Networks, Inc., a Pennsylvania corporation  
D&E Investments, Inc., a Nevada corporation  
Conestoga Enterprises, Inc., a Pennsylvania corporation  
Conestoga Management Services, Inc., a Delaware corporation  
Buffalo Valley Management Services, Inc., a Delaware corporation  
PCS Licenses, Inc., a Nevada corporation  
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## Section 4: EX-4.7 (SIXTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.7

### SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of December 14, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), certain subsidiaries of the Company, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

#### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of July 17, 2006, providing for the issuance of the Company's 8.125% Senior Notes due 2013 (the "8.125% Notes") and 8.625% Senior Notes due 2016 (the "8.625% Notes") and collectively with the 8.125% Notes, the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to *Article Ten of the Indenture*, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the

Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the *Uniform Fraudulent Transfer Act* or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

LEXCOM, INC.  
WINDSTREAM LEXCOM ENTERTAINMENT, LLC  
WINDSTREAM LEXCOM LONG DISTANCE, LLC  
WINDSTREAM LEXCOM WIRELESS, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

Exhibit I

Lexcom, Inc., a North Carolina corporation  
Windstream Lexcom Entertainment, LLC, a North Carolina limited liability company  
Windstream Lexcom Long Distance, LLC, a North Carolina limited liability company  
Windstream Lexcom Wireless, LLC, a North Carolina limited liability company

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## Section 5: EX-4.11 (THIRD SUPPLEMENTAL INDENTURE)

EXHIBIT 4.11

### THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 22, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), Windstream Intellectual Property Services, Inc., a Delaware corporation (the "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of February 27, 2007 providing for the issuance of the Company's 7% Senior Notes due 2019 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances a Guaranting Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranting Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Guaranting Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, the Guaranting Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

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(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. The Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) The Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) The Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) The Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) The Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) The Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, the Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of the Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. The Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. The Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. The Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of the Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

WINDSTREAM INTELLECTUAL PROPERTY  
SERVICES, INC.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President,  
General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President,  
General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

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## Section 6: EX-4.12 (FOURTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.12

### FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of November 20, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), certain subsidiaries of the Company, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of February 27, 2007, providing for the issuance of the Company's 7% Senior Notes due 2019 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCT THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

D&E COMMUNICATIONS, INC.  
D&E MANAGEMENT SERVICES, INC.  
D&E NETWORKS, INC.  
D&E INVESTMENTS, INC.  
CONESTOGA ENTERPRISES, INC.  
CONESTOGA MANAGEMENT SERVICES, INC.  
BUFFALO VALLEY MANAGEMENT SERVICES, INC.  
PCS LICENSES, INC.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

Exhibit I

D&E Communications, Inc., a Delaware corporation  
D&E Management Services, Inc., a Nevada corporation  
D&E Networks, Inc., a Pennsylvania corporation  
D&E Investments, Inc., a Nevada corporation  
Conestoga Enterprises, Inc., a Pennsylvania corporation  
Conestoga Management Services, Inc., a Delaware corporation  
Buffalo Valley Management Services, Inc., a Delaware corporation  
PCS Licenses, Inc., a Nevada corporation  
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## Section 7: EX-4.13 (FIFTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.13

### FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of December 14, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), certain subsidiaries of the Company, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

#### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of February 27, 2007, providing for the issuance of the Company's 7% Senior Notes due 2019 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCT THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

LEXCOM, INC.  
WINDSTREAM LEXCOM ENTERTAINMENT, LLC  
WINDSTREAM LEXCOM LONG DISTANCE, LLC  
WINDSTREAM LEXCOM WIRELESS, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

Exhibit I

Lexcom, Inc., a North Carolina corporation  
Windstream Lexcom Entertainment, LLC, a North Carolina limited liability company  
Windstream Lexcom Long Distance, LLC, a North Carolina limited liability company  
Windstream Lexcom Wireless, LLC, a North Carolina limited liability company

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## Section 8: EX-4.18 (FOURTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.18

### FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 22, 2009, among Valor Telecommunications Enterprises, LLC, a Delaware limited liability company, Valor Telecommunications Enterprises Finance Corp., a Delaware corporation (together, the "Issuers"), Windstream Intellectual Property Services, Inc., a subsidiary of Windstream Corporation and a Delaware corporation, (the "Guaranteeing Subsidiary"), and The Bank of New York Mellon, a New York banking corporation (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Issuers and the Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of February 14, 2005, providing for the issuance of the Issuers' 7.75% Senior Notes due 2015 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances a Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee");

WHEREAS, pursuant to Section 9.01 of the Indenture, each of the Issuers and the Trustee is authorized to execute and deliver this Supplemental Indenture;

WHEREAS, each of the Issuers, the other Guarantors and the Guaranteeing Subsidiary has duly authorized the execution and delivery of this Supplemental Indenture, subject to the terms and conditions described herein; and

WHEREAS, each of the Issuers, the other Guarantors and the Guaranteeing Subsidiary has requested that the Trustee execute and deliver this Supplemental Indenture, and all requirements necessary to make this Supplemental Indenture a valid and legally binding instrument in accordance with its terms and the terms of the Indenture have been duly satisfied and authorized in all respects.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuers, the Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, the Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. The Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) The Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Issuers or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) The Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) The Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) The Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) The Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, the Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of the Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of the Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. The Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. The Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. The Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

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6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of the Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCT THIS SUPPLEMENTAL INDENTURE.

8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Issuers.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

WINDSTREAM INTELLECTUAL PROPERTY  
SERVICES, INC.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel  
and Secretary

VALOR TELECOMMUNICATIONS ENTERPRISES, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

VALOR TELECOMMUNICATIONS ENTERPRISES FINANCE CORP.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel  
and Secretary

THE BANK OF NEW YORK MELLON

By: /s/ Beata Harvin  
Name: Beata Harvin  
Title: Assistant Vice President

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## Section 9: EX-4.19 (FIFTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.19

### FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of November 20, 2009, among Valor Telecommunications Enterprises, LLC, a Delaware limited liability company, Valor Telecommunications Enterprises Finance Corp., a Delaware corporation (together, the "Issuers"), certain subsidiaries of Windstream Corporation, a Delaware corporation, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and The Bank of New York Mellon, a New York banking corporation (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Issuers and the Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of February 14, 2005, providing for the issuance of the Issuers' 7.75% Senior Notes due 2015 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee");

WHEREAS, pursuant to Section 9.01 of the Indenture, each of the Issuers and the Trustee is authorized to execute and deliver this Supplemental Indenture;

WHEREAS, each of the Issuers, the other Guarantors and each Guaranteeing Subsidiary has duly authorized the execution and delivery of this Supplemental Indenture, subject to the terms and conditions described herein; and

WHEREAS, each of the Issuers, the other Guarantors and each Guaranteeing Subsidiary has requested that the Trustee execute and delivery this Supplemental Indenture, and all requirements necessary to make this Supplemental Indenture a valid and legally binding instrument in accordance with its terms and the terms of the Indenture have been duly satisfied and authorized in all respects.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuers, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

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2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Issuers or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

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6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCT THIS SUPPLEMENTAL INDENTURE.

8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Issuers.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

D&E COMMUNICATIONS, INC.  
D&E MANAGEMENT SERVICES, INC.  
D&E NETWORKS, INC.  
D&E INVESTMENTS, INC.  
CONESTOGA ENTERPRISES, INC.  
CONESTOGA MANAGEMENT SERVICES, INC.  
BUFFALO VALLEY MANAGEMENT SERVICES, INC.  
PCS LICENSES, INC.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

VALOR TELECOMMUNICATIONS ENTERPRISES, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

VALOR TELECOMMUNICATIONS ENTERPRISES FINANCE CORP.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

THE BANK OF NEW YORK MELLON

By: /s/ Beata Harvin  
Name: Beata Harvin  
Title: Vice President

Exhibit I

D&E Communications, Inc., a Delaware corporation  
D&E Management Services, Inc., a Nevada corporation  
D&E Networks, Inc., a Pennsylvania corporation  
D&E Investments, Inc., a Nevada corporation  
Conestoga Enterprises, Inc., a Pennsylvania corporation  
Conestoga Management Services, Inc., a Delaware corporation  
Buffalo Valley Management Services, Inc., a Delaware corporation  
PCS Licenses, Inc., a Nevada corporation

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## Section 10: EX-4.20 (SIXTH SUPPLEMENTAL INDENTURE)

EXHIBIT 4.20

### SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of December 14, 2009, among Valor Telecommunications Enterprises, LLC, a Delaware limited liability company, Valor Telecommunications Enterprises Finance Corp., a Delaware corporation (together, the "Issuers"), certain subsidiaries of Windstream Corporation, a Delaware corporation, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and The Bank of New York Mellon, a New York banking corporation (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Issuers and the Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of February 14, 2005, providing for the issuance of the Issuers' 7.75% Senior Notes due 2015 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee");

WHEREAS, pursuant to Section 9.01 of the Indenture, each of the Issuers and the Trustee is authorized to execute and deliver this Supplemental Indenture;

WHEREAS, each of the Issuers, the other Guarantors and each Guaranteeing Subsidiary has duly authorized the execution and delivery of this Supplemental Indenture, subject to the terms and conditions described herein; and

WHEREAS, each of the Issuers, the other Guarantors and each Guaranteeing Subsidiary has requested that the Trustee execute and delivery this Supplemental Indenture, and all requirements necessary to make this Supplemental Indenture a valid and legally binding instrument in accordance with its terms and the terms of the Indenture have been duly satisfied and authorized in all respects.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuers, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

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**2. Agreement to Guarantee.**

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Issuers or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

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5. Release. Each Guaranting Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranting Subsidiary shall have any liability for any obligations of the Guaranting Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCT THIS SUPPLEMENTAL INDENTURE.

8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranting Subsidiary and the Issuers.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

LEXCOM, INC.  
WINDSTREAM LEXCOM ENTERTAINMENT, LLC  
WINDSTREAM LEXCOM LONG DISTANCE, LLC  
WINDSTREAM LEXCOM WIRELESS, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

VALOR TELECOMMUNICATIONS ENTERPRISES, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

VALOR TELECOMMUNICATIONS ENTERPRISES FINANCE CORP.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

THE BANK OF NEW YORK MELLON

By: /s/ Beata Harvin  
Name: Beata Harvin  
Title: Vice President

Exhibit I

Lexcom, Inc., a North Carolina corporation  
Windstream Lexcom Entertainment, LLC, a North Carolina limited liability company  
Windstream Lexcom Long Distance, LLC, a North Carolina limited liability company  
Windstream Lexcom Wireless, LLC, a North Carolina limited liability company  
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## Section 11: EX-4.22 (FIRST SUPPLEMENTAL INDENTURE)

EXHIBIT 4.22

### FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of November 20, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), certain subsidiaries of the Company, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

#### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of October 8, 2009, providing for the issuance of the Company's 7.875% Senior Notes due 2017 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

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(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

D&E COMMUNICATIONS, INC.  
D&E MANAGEMENT SERVICES, INC.  
D&E NETWORKS, INC.  
D&E INVESTMENTS, INC.  
CONESTOGA ENTERPRISES, INC.  
CONESTOGA MANAGEMENT SERVICES, INC.  
BUFFALO VALLEY MANAGEMENT SERVICES, INC.  
PCS LICENSES, INC.

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

Exhibit I

D&E Communications, Inc., a Delaware corporation  
D&E Management Services, Inc., a Nevada corporation  
D&E Networks, Inc., a Pennsylvania corporation  
D&E Investments, Inc., a Nevada corporation  
Conestoga Enterprises, Inc., a Pennsylvania corporation  
Conestoga Management Services, Inc., a Delaware corporation  
Buffalo Valley Management Services, Inc., a Delaware corporation  
PCS Licenses, Inc., a Nevada corporation  
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## Section 12: EX-4.23 (SECOND SUPPLEMENTAL INDENTURE)

EXHIBIT 4.23

### SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of December 14, 2009, among Windstream Corporation, a Delaware corporation (the "Company"), certain subsidiaries of the Company, as set forth on Exhibit I (each, a "Guaranteeing Subsidiary"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America (or its permitted successor), as trustee under the Indenture referred to below (the "Trustee").

### WITNESSETH

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of October 8, 2009, providing for the issuance of the Company's 7.875% Senior Notes due 2017 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which each Guaranteeing Subsidiary shall, subject to Article Ten of the Indenture, unconditionally guarantee the Notes on the terms and conditions set forth therein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, each Guaranteeing Subsidiary and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Notes:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee.

(a) Subject to Article Ten of the Indenture, each Guaranteeing Subsidiary fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guaranteeing Subsidiary agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guaranteeing Subsidiary hereby agrees that, to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) Each Guaranteeing Subsidiary, subject to Section 6.06 of the Indenture, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(e) Each Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(f) Each Guaranteeing Subsidiary agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of the Indenture for the purposes of the Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article Six of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantee.

(g) Each Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

(h) Each Guaranteeing Subsidiary confirms, pursuant to Section 10.02 of the Indenture, that it is the intention of such Guaranteeing Subsidiary that the Note Guarantee not constitute (i) a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Note Guarantee or (ii) an unlawful distribution under any applicable state law prohibiting shareholder distributions by an insolvent subsidiary to the extent applicable to the Note Guarantee. To effectuate the foregoing intention, each Guaranteeing Subsidiary and the Trustee hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article Ten of the Indenture, result in the obligations of the Guaranteeing Subsidiary under the Note Guarantee not constituting a fraudulent transfer or conveyance or such an unlawful shareholder distribution.

3. Execution and Delivery. Each Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Note Guarantee.

4. Guaranteeing Subsidiary May Consolidate, Etc., on Certain Terms. Each Guaranteeing Subsidiary may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth in Section 10.04 of the Indenture.

5. Release. Each Guaranteeing Subsidiary's Note Guarantee shall be released as set forth in Section 10.05 of the Indenture.

6. No Recourse Against Others. Pursuant to Section 12.07 of the Indenture, no director, officer, employee, incorporator or stockholder of a Guaranteeing Subsidiary shall have any liability for any obligations of the Guaranteeing Subsidiary under the Notes, the Indenture, this Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. This waiver and release are part of the consideration for the Note Guarantee.

7. NEW YORK LAW TO GOVERN. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

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8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Guaranteeing Subsidiary and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

LEXCOM, INC.  
WINDSTREAM LEXCOM ENTERTAINMENT, LLC  
WINDSTREAM LEXCOM LONG DISTANCE, LLC  
WINDSTREAM LEXCOM WIRELESS, LLC

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

WINDSTREAM CORPORATION

By: /s/ John Fletcher  
Name: John P. Fletcher  
Title: Executive Vice President, General Counsel and Secretary

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Muriel Shaw  
Name: Muriel Shaw  
Title: Assistant Vice President

**Exhibit I**

Lexcom, Inc., a North Carolina corporation  
 Windstream Lexcom Entertainment, LLC, a North Carolina limited liability company  
 Windstream Lexcom Long Distance, LLC, a North Carolina limited liability company  
 Windstream Lexcom Wireless, LLC, a North Carolina limited liability company

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## Section 13: EX-10.2 (DIRECTOR COMPENSATION PROGRAM)

Exhibit 10.2

**WINDSTREAM CORPORATION**  
**Director Compensation Program**  
 Approved February 17, 2010

Compensation for directors who are not officers of the Corporation will consist of the following components:

1. **Initial Retainer.** Each new member will receive a grant of \$60,000 in restricted stock under the 2006 Equity Incentive Plan, as amended, in connection with his or her appointment or election to the Board.
2. **Annual Retainer.** Each member will receive an annual cash retainer of \$60,000. Commencing with 2010, the Chairman will receive a supplemental annual cash retainer of \$100,000.
3. **Meeting Fees.** Each member will receive a cash fee of \$2,000 for each Board and Committee meeting attended, except that no meeting fee will be paid for meetings (i) of the Governance Committee or (ii) at which the Board receives periodic updates from management and no actions are taken by the Board.
4. **Committee Chair Fees.** Each member who serves as Chair of a Board Committee will receive the following indicated annual cash fee:
 

• Audit	-	\$20,000
• Compensation	-	\$15,000
• Governance	-	\$ - 0 -
5. **Annual Restricted Stock.** Each member will receive an annual grant of \$80,000 in restricted stock under the 2006 Equity Incentive Plan, as amended.

All other terms and conditions of the grants of restricted stock shall be determined and approved by the Compensation Committee.

Members will receive a prorated amount of the Annual Retainer, Committee Chair Fees and Annual Restricted Stock Grant for the portion of the first year for which they are appointed or elected to serve as a Board member or Committee Chair. For future years, directors will receive the Annual Retainer, Committee Chair Fees and Restricted Stock grants at the first regularly scheduled board meeting of the year.

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## Section 14: EX-21 (LISTING OF SUBSIDIARIES)

Exhibit 21

Windstream Corporation  
 List of Subsidiaries  
 as of 12/31/2009

<u>Name of Subsidiary</u>	<u>State of Organization</u>	<u>Name under Which it Does Business</u>
Buffalo Merger Sub, Inc.	DE	
Buffalo Valley Management Services, Inc.	DE	
Carolina Personal Communications, Inc.	NC	
Conestoga Enterprises, Inc.	PA	
Conestoga Management Services, Inc.	DE	
Conestoga Wireless Company	PA	
CT Cellular, Inc.	NC	
CT Communications, Inc.	NC	
CT Wireless Cable, Inc.	NC	
CTC Video Services, LLC	NC	
D&E Communications, Inc.	DE	
D&E Investments, Inc.	NV	
D&E Management Services, Inc.	NV	
D&E Networks, Inc.	PA	
D&E Wireless, Inc.	PA	
Georgia Windstream, LLC	DE	Windstream Communications
Infocore, Inc.	PA	
Kerrville Cellular, LLC	TX	
Kerrville Communications Corporation	DE	
Kerrville Mobile Holdings, LLC	TX	
Kerrville Wireless Holdings, LLC	TX	

Lexcom, Inc.

Night Merger Sub, Inc.

Oklahoma Windstream, LLC

NC

DE

OK

Windstream Communications

<u>Name of Subsidiary</u>	<u>State of Organization</u>	<u>Name under Which it Does Business</u>
PCS Licenses, Inc.	NV	
Progress Place Realty Holding Company, LLC	NC	
Southwest Enhanced Network Services, LP	DE	
Teleview, LLC	GA	
Texas Windstream, Inc.	TX	Windstream Communications
TriNet, LLC	GA	
Valor Telecommunications Enterprises Finance, Corp.	DE	
Valor Telecommunications Enterprises II, LLC	DE	
Valor Telecommunications Enterprises, LLC	DE	
Valor Telecommunications Investments, LLC	DE	
Valor Telecommunications of Texas, LP	DE	Windstream Communications Southwest
WaveTel NC License Corporation	DE	
Wavetel TN, LLC	DE	
Wavetel, LLC	DE	
Webserve, Inc.	NC	
Windstream Accucomm Networks, LLC	GA	Windstream Communications
Windstream Accucomm Telecommunications, LLC	GA	Windstream Communications
Windstream Alabama, LLC	AL	Windstream Communications
Windstream Arkansas, LLC	DE	Windstream Communications
Windstream Buffalo Valley, Inc.	PA	Windstream Communications
Windstream Communications Kerrville, LLC	TX	
Windstream Communications Telecom, LLC	TX	
Windstream Communications, Inc.	DE	
Windstream Concord Telephone, Inc.	NC	Windstream Communications
Windstream Conestoga, Inc.	PA	Windstream Communications

<u>Name of Subsidiary</u>	<u>State of Organization</u>	<u>Name under Which it Does Business</u>
Windstream CTC Internet Services, Inc.	NC	Windstream Communications
Windstream D&E Systems, Inc.	DE	
Windstream D&E, Inc.	PA	
Windstream Florida, Inc.	FL	Windstream Communications
Windstream Georgia Communications, LLC	GA	Windstream Communications
Windstream Georgia Telephone, LLC	GA	Windstream Communications
Windstream Georgia, LLC	GA	Windstream Communications
Windstream Holding of the Midwest, Inc.	NE	
Windstream Intellectual Property Services, Inc.	DE	
Windstream Kentucky East, LLC	DE	Windstream Communications
Windstream Kentucky West, LLC	KY	Windstream Communications
Windstream Kerrville Long Distance, LLC	TX	
Windstream Lexcom Communications, Inc.	NC	Windstream Communications
Windstream Lexcom Entertainment, LLC	NC	Windstream Communications
Windstream Lexcom Long Distance, LLC	NC	Windstream Communications
Windstream Lexcom Wireless, LLC	NC	
Windstream Mississippi, LLC	DE	Windstream Communications
Windstream Missouri, Inc.	MO	Windstream Communications
Windstream Nebraska, Inc.	DE	Windstream Communications
Windstream Network Services of the Midwest, Inc.	NE	Windstream Communications
Windstream New York, Inc.	NY	Windstream Communications
Windstream North Carolina, LLC	NC	Windstream Communications
Windstream of the Midwest, Inc.	NE	Windstream Communications
Windstream Ohio, Inc.	OH	Windstream Communications
Windstream Oklahoma, LLC	DE	Windstream Communications
Windstream Pennsylvania, LLC	DE	Windstream Communications

<u>Name of Subsidiary</u>	<u>State of Organization</u>	<u>Name under Which it Does Business</u>
Windstream South Carolina, LLC	SC	Windstream Communications
Windstream Southwest Long Distance, LP	DE	
Windstream Standard, LLC	GA	Windstream Communications
Windstream Sugar Land, Inc.	TX	Windstream Communications
Windstream Supply, LLC	OH	
Windstream Systems of the Midwest, Inc.	NE	Windstream Communications
Windstream Western Reserve, Inc.	OH	Windstream Communications
Wireless One of North Carolina, LLC	DE	

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## Section 15: EX-23 (CONSENT OF PRICEWATERHOUSECOOPERS LLP)

Exhibit 23

### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-135849, 333-135850, 333-140011 and 333-163452) and on Form S-4 (No. 333-164649) of Windstream Corporation of our reports dated February 24, 2010 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Little Rock, Arkansas  
February 24, 2010

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## Section 16: EX-24 (POWER OF ATTORNEY)

Exhibit 24

### EX-24 5 POWER OF ATTORNEY

Securities and Exchange Commission  
450 Fifth Street N.W.  
Washington, DC 20549

Re: Windstream Corporation Commission File No. 001-32422  
1934 Act Filings on Form 10-K  
Authorized Representatives

Ladies and Gentlemen:

Windstream Corporation is the issuer of securities registered under Section 12 of the Securities Exchange Act of 1934 (The "Act"). Each of the persons signing his or her name below confirms, as of the date appearing below the signature, that each of Jeffery R. Gardner, Anthony W. Thomas, and John P. Fletcher, acting individually or jointly (the "Authorized Representatives") is authorized on his or her behalf to sign and submit to the Securities and Exchange Commission such filings on Form 10-K as are required by the Act. Each person so signing also confirms the authority of each of the Authorized Representatives to do and perform on his behalf, any and all acts and things requisite or necessary to assure compliance by the signing person with the Form 10-K requirements. The authority confirmed herein shall remain in effect as to each person signing his or her name below until such time as the Commission shall receive from such person a written communication terminating or modifying the authority. Each person signing his or her name below expressly revokes all authority heretofore given or executed by such person with respect to such filings of Windstream Corporation under the Act.

Sincerely,

/s/ Carol B. Armitage  
Carol B. Armitage

Date: February 17, 2010

/s/ Samuel E. Beall, III  
Samuel E. Beall, III

Date: February 17, 2010

/s/ Dennis E. Foster  
Dennis E. Foster

Date: February 17, 2010

/s/ Francis X. Frantz  
Francis X. Frantz

Date: February 17, 2010

/s/ Jeffrey T. Hinson  
Jeffrey T. Hinson

Date: February 17, 2010

/s/ Judy K. Jones  
Judy K. Jones

Date: February 17, 2010

/s/ William A. Montgomery  
William A. Montgomery

Date: February 17, 2010

/s/ Frank E. Reed

[\(Back To Top\)](#)**Section 17: EX-31.A (CERTIFICATION OF CEO PURSUANT TO SECTION 302)****Exhibit 31(a)****CERTIFICATION**

I, Jeffery R. Gardner, certify that:

1. I have reviewed this annual report on Form 10-K of Windstream Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2010

/s/ Jeffery R. Gardner  
 Jeffery R. Gardner  
 Chief Executive Officer and President  
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**Section 18: EX-31.B (CERTIFICATION OF CFO PURSUANT TO SECTION 302)****Exhibit 31(b)****CERTIFICATION**

I, Anthony W. Thomas, certify that:

1. I have reviewed this annual report on Form 10-K of Windstream Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2010

/s/ Anthony W. Thomas

Anthony W. Thomas  
Chief Financial Officer  
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## Section 19: EX-32.A (CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350)

Exhibit 32(a)

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report of Windstream Corporation (the Company) on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jeffery R. Gardner, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffery R. Gardner  
Jeffery R. Gardner  
Chief Executive Officer and President  
February 24, 2010

A signed original of this written statement required by Section 906 has been provided to Windstream Corporation and will be retained by Windstream Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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## Section 20: EX-32.B (CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350)

Exhibit 32(b)

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report of Windstream Corporation (the Company) on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Anthony W. Thomas, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony W. Thomas  
Anthony W. Thomas  
Chief Financial Officer  
February 24, 2010

A signed original of this written statement required by Section 906 has been provided to Windstream Corporation and will be retained by Windstream Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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**Attachment E**

**Key Management Biographies**

## **Management Biographies**

### **Jeff Gardner President and Chief Executive Officer Windstream Corporation**

Jeff Gardner has more than 20 years experience in the telecom industry and was appointed to his current position in December 2005. He has extensive experience in both the wireline and wireless industries.

Gardner previously served as executive vice president and chief financial officer for Alltel. In 2005, he was recognized as one of the top two CFOs in the wireless industry by CFO magazine. During his tenure as Alltel's CFO, the company's wireless business more than doubled in size through organic growth and acquisitions. Alltel's financial performance was among the best in the wireless and wireline industries during this period. In addition, Gardner raised more than \$10 billion in the capital markets over this period. His responsibilities included Alltel's capital markets, budgeting and forecasting, strategic planning, accounting, procurement, tax and operational support.

Gardner joined Alltel in 1998 when Alltel and 360° Communications merged and held a variety of senior management positions.

Gardner earned a degree in finance from Purdue University and an MBA from William and Mary. He is a certified public accountant.

He has served as a member of the Executive Committee of USTelecom since 2008. He also serves on the board of directors of RF Micro Devices, Inc., based in Greensboro, N.C., the Little Rock Regional Chamber of Commerce and Pulaski Academy in Little Rock, Ark., and is a member of the board of trustees of Darlington School in Rome, Ga.

### **Dennis E. Foster Chairman Windstream Corporation**

Dennis E. Foster, age 69, has served as Chairman of the Board of Windstream since February 2010. From July 2006 to February 2010, he served as Lead Director, and Mr. Foster continues to perform the role of Lead Director in his role as Chairman. Mr. Foster was a director of Alltel Holding Corp. (a predecessor corporation to Windstream) from June 2006 to July 2006. Mr. Foster serves as Chairman of the Governance Committee and is a member of the Compensation Committee. Mr. Foster is a principal in Foster Thoroughbred Investments (thoroughbred racing, breeding and training operations) in Lexington, Kentucky, which he joined in June 1995. Mr. Foster served as a director of Alltel Corporation from 1998 through 2006. Prior to his retirement in 2000, Mr. Foster held a number of leadership positions in the telecommunications industry, including President and Chief Executive Officer of 360° Communications and Senior Vice

President of the Local Telecommunications Division of Sprint Corporation, and he has over 40 years of experience in the telecommunications industry. Mr. Foster is also a director and Chairman of the Compensation Committee of YRCW (Yellow Roadway Corporation Worldwide) and a director and Chairman of the Audit Committee of NiSource Inc.

**Francis X. ("Skip") Frantz**  
**Director, Board Member**  
**Windstream Corporation**

Skip Frantz served as a director of Windstream since 2006 and served as Chairman of the Board of Alltel Holding Corp. from December 2005 to July 2006 and of Windstream from July 2006 until February 2010 when, to enhance Windstream's corporate governance profile, Mr. Frantz and the Board determined to select a Chairman who is "independent", as defined by applicable stock exchange rules (because of compensation arrangements implemented in connection with the 2006 spin-off of Windstream from Alltel Corporation, Mr. Frantz is not "independent" and, as currently defined, would not qualify as "independent" until 2013). Mr. Frantz has served as Chairman of XSell, LLC (a provider of customer interaction technology) in Jacksonville, Florida, since February 2010. Prior to January 2006, Mr. Frantz was Executive Vice President-External Affairs, General Counsel and Secretary of Alltel Corporation. Mr. Frantz joined Alltel in 1990 as Senior Vice President and General Counsel and was appointed Secretary in January 1992 and Executive Vice President in July 1998. While with Alltel, he was responsible for Alltel's mergers and acquisitions negotiations, wholesale services group, federal and state government and external affairs, corporate communications, administrative services, and corporate governance, in addition to serving as Alltel's chief legal officer. Mr. Frantz served as the 2006 and 2007 Chairman of the Board and of the Executive Committee of USTelecom, a telecom trade association.

**Tony Thomas**  
**Chief Financial Officer**  
**Windstream Corporation**

Tony Thomas is chief financial officer for Windstream, an S&P 500 company that provides phone, high-speed Internet and high-definition digital TV services to customers in 16 states. Thomas oversees the company's financial, tax, procurement, audit, treasury, risk management and corporate communications teams. He previously served as controller for Windstream.

Thomas was vice president of investor relations for Alltel prior to joining Windstream in June 2006. He joined Alltel as director of revenue accounting when it merged with 360 Communications in 1998. He served in various management roles at Alltel including: vice president of corporate financial planning, vice president of finance for the southeast region, vice president of process development and vice president of wireless wholesale roaming. He served as a senior auditor with Ernst & Young before entering the communications industry in 1997.

Thomas holds a master's degree in business administration from Wake Forest University and a bachelor's degree in accountancy from the University of Illinois. He is a licensed certified public accountant.

**Brent Whittington**  
**Chief Operating Officer**  
**Windstream Corporation**

Brent Whittington is chief operating officer for Windstream, an S&P 500 company that provides phone, high-speed Internet and high-definition digital TV services to customers in 16 states. Whittington oversees the company's operations, customer service, information technology, marketing and sales. He previously served as executive vice president and chief financial officer for Windstream.

Whittington was senior vice president of operations for Alltel prior to joining Windstream in December 2005. He joined Alltel in 2002 as vice president of finance and accounting. Before joining Alltel, Whittington worked for Arthur Andersen LLP for eight years, where he held a variety of positions, including audit manager.

He holds a degree in accounting from the University of Arkansas at Little Rock.

**John Fletcher**  
**Executive Vice President, General Counsel and Secretary**  
**Windstream Corporation**

John Fletcher is responsible for the company's legal affairs, corporate governance and compliance. He was appointed to the position in January 2006.

Fletcher previously was a partner in the law offices of Kutak Rock LLP in Little Rock, Ark., where he specialized in corporate and securities law from 1998 to 2006. He worked at the Rose Law Firm of Little Rock from 1993 to 1998.

He is a graduate of the Southern Methodist University School of Law, where he served on the law journal and was elected to the Order of the Coif. He also is an honors graduate of Duke University.

**Mike Rhoda**  
**Senior Vice President – Government Affairs**  
**Windstream Corporation**

Mike Rhoda is responsible for the company's regulatory and legislative affairs and wholesale services. He was appointed to the position in December 2005.

Rhoda previously served as vice president of regulatory and wholesale services for Alltel. Rhoda joined Alltel in 1994 as director of wireless business planning and information systems and served in various positions including market area president for Alltel's northern region, vice president of product management, vice president and general manager, based in Charlotte, N.C., and vice president of business development. Prior to joining Alltel, Rhoda held a variety of financial positions within GTE Mobilnet and practiced public accounting for several years.

He is a graduate of Eastern Illinois University, a member of the American Institute of Certified Public Accountants, and serves on the board of directors for Big Brothers Big Sisters of Central Arkansas and the Business Advisory Council for the Division of Business and Economics at Philander Smith College in Little Rock, Ark.

**Kristi Moody**  
**Assistant Secretary**  
**Windstream Corporation**

Vice President-Law and Assistant Secretary for Windstream since September 2009; Senior Counsel for Windstream from June 2006 to September 2009; Partner at Wright, Lindsey & Jennings, LLP from 2001 to 2006; Associate at Wright, Lindsey & Jennings from 1995 - 2000.